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ABSTRACT

This secondary distributive education performance-based instructional unit on operating your own business contains nineteen lesson plans, each based on a fifty-five minute period. Among the topics covered are the following: (1) the various types of business establishments in the community, (2) small-scale establishments and various small-scale businesses, (3) the various types of large scale establishments and the ways they differ from the small-scale businesses, (4) the steps to use in deciding upon a location for a business, (5) the equipment and merchandise needed for a new business, and (6) the financial requirements needed in the new business. Each lesson plan includes most of the following elements: information sheets, assignment sheets, transparency masters, key and answer sheets, and teacher reference sheets. A list of terminal and enabling objectives and a pre-assessment instrument and key precede the lesson plans. Optional activities, a bibliography, a post-assessment instrument and key and unit evaluation are included at the end of the unit. (LRA)

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OPERATING YOUR OWN BUSINESS

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LESSON PLAN FORMAT

INTRODUCTION AND OBJECTIVES	BLUE
UNIT OUTLINE	WHITE
PRE ASSESSMENT	BUFF
PRE ASSESSMENT KEY	GREY
LESSON PLANS	YELLOW
INFORMATION SHEETS	PINK
ASSIGNMENT SHEETS	GREEN
TRANSPARANCY MASTERS	WHITE
KEY AND ANSWER SHEETS	GREY
TEACHER REFERENCE SHEETS	BLUE
OPTIONAL ACTIVITIES AND BIBLIOGRAPHY	WHITE
POST ASSESSMENT	BUFF
POST ASSESSMENT KEY	GREY
UNIT EVALUATION	BUFF

FOREWORD

The Missouri Distributive Education Curriculum is a performance-based curriculum for distributive education throughout the state of Missouri. This curriculum system is composed of twenty units, ten designed for use in junior preparatory classes, and ten for senior cooperative distributive education classes. All units were written by teams of distributive education teacher-coordinators. Performance objectives and content of the units were validated by advisory committees composed of persons in business and during the field-tests conducted by distributive education teacher-coordinators in their classrooms. The units were then corrected, improved and made ready for final printing.

Each unit is self-contained, which means that unless desired, no outside reference is needed to teach the unit. Each unit also has suggested optional activities to supplement instruction. The units can be viewed in two ways: as a "survival kit" for beginning teacher, or as an organizational aid to the experienced teacher.

Philosophy of the Curriculum

Almost without exception, instruction is intended to equip students to do something beyond the classroom. It seems beyond debate that any instruction must be based upon a definite analysis of what the student is expected to be able to accomplish as a result of the instruction. Without a clear description of the kind of behavior that will be required of the student, it is impossible to determine with any degree of precision what is to be taught. With this in mind, a careful and thorough analysis of "what the student must do" and "what the student must know" in order to perform in a desirable manner in business was conducted during the development of the objectives for the units.

A terminal performance objective and appropriate enabling objectives for each unit were formulated. The objectives were developed by teams of experienced coordinators drawing on their own expertise, other curriculum materials, and the research of Crawford, Lynch and others. The objectives and the corresponding unit performance evaluations were then validated by people representing the business community.

Unit Components

Each unit is completely self-contained. All instructional materials necessary to teach each unit are provided. To supplement the teaching of the units, optional activities are suggested. Each unit follows a unique color-coding and numbering system. The units contain the following components:

Introduction: This component provides a thumbnail sketch of the unit and the content and describes why mastery of the objectives is important to the learner. It is designed to motivate the students as well as orient them to the unit.

Performance Objectives: The terminal objective specifies the performance which will be expected of the learner at the completion of the unit. The enabling objectives specify the information, products and competencies which must be mastered or produced by the students in order to be able to perform the terminal objective.

Pre-Assessment: This is a measurement tool to determine the degree of knowledge and/or competency the students already possess of the unit's content. For some units, the pre-assessment is a paper-pencil pre-test. For other units, the pre-assessment consists of pertinent questions and class discussion.

Unit Outline: This presents a table of contents of the unit, the time required for the unit and the materials and resources needed.

Lesson Plans: Lesson plans are presented for each day of the unit accompanied by all necessary material including student information sheets, assignment sheets and teacher materials.

Post-Assessment: This is an objective examination which measures the student's mastery of the enabling objectives. Theoretically, its purpose is not to determine a grade, but to inform the teacher as to whether or not the students are prepared to attempt the unit performance evaluation.

Unit Evaluation: Each unit contains an evaluation of the student's performance or development of a product which is related as closely as possible to actual practice in the world of work. For many units, business people are utilized as evaluators. The unit performance evaluation is critical to effective instruction of the unit because only then will the teacher and students know whether or not the students actually mastered the unit.

Unfortunately, many teachers decide to "take a short-cut," and eliminate the unit evaluation. Ending the unit with the post-instruction assessment falls far short of concluding the unit. Everything accomplished in the classroom from the day the unit was introduced to the completion of the post-instruction assessment has been designed so that the student would be able to attempt the unit performance evaluation.

This evaluation has been developed to determine realistically whether or not the student can satisfactorily perform the terminal objective which specifies the performance expected of the learner at the completion of the unit.

For example, the performance required for the unit, *Getting a Job,* is an actual job interview. For *Parliamentary Procedure,* the performance evaluation is to conduct a meeting using parliamentary rules. For *Economics of Marketing,* the performance evaluation is to develop a product, identify the market functions, define a marketing concept for the product, show what market segments will be appealed to, classify what stores will sell the product, determine what channels of distribution will be used and ascertain what marketing strategy will be used based on the psychological needs of consumers. The unit evaluation, properly conducted, will serve the following purposes:

*Provides a "doing" activity for students and an opportunity for them to display the skills and competencies they have acquired.

*Provides students with an opportunity to gain a sense of pride in their accomplishments, as they satisfactorily complete the activity.

*Provides students with an opportunity to receive constructive first-hand knowledge of what is taught in a distributive education program.

*Serves as a good public relations tool for the distributive education program, and could definitely enhance placement of students on jobs.

How to Use the Units

Each unit has a unit numbering system and is color-coded for the convenience of the teacher. Each unit has been assigned a number which is found on the objective sheet. For example, the first unit is *Orientation to Distributive Education and DECA.* The unit number and the objective number are always the same; in this case, it is 1.00.

Each unit contains a terminal objective (blue sheet). The terminal objective will always be 1.00, 2.00, 3.00. . . 20.00. The enabling objectives will always follow the terminal objective on blue sheets. Enabling objectives for each unit are always prefaced with the unit number and are numbered consecutively. For example, 2.06 is the sixth enabling objective in the second unit.

The lesson plans (yellow sheets) are numbered within the units in the order in which they are to be taught and are not to be confused with the terminal or enabling objectives numbering system.

Lesson plan 12.08, for example, is for the eighth lesson in unit twelve. In the lesson plan, the enabling objective(s) is listed that will be concentrated on during that lesson.

The assignment sheets (green), the information sheets (pink) and the transparency masters (white) are numbered according to the daily lesson plans, not the terminal or enabling objectives. For example, the first assignment sheet for lesson plan 12 is assignment sheet 12.01. The first transparency master for lesson plan 12 is TM 12.01. The information sheets, assignment sheets and transparency masters are keyed to the lesson plan, but are numbered independently of each other. Depending on what is being taught during the lesson, there could be several different assignment sheets, information sheets or transparency masters or a combination of all three.

Students should be provided copies of the objectives, information sheets and assignment sheets. These are available in sufficient quantities for classes at the Instructional Materials Laboratory at the University of Missouri-Columbia. These student materials can be given to students as a packet at the beginning of the unit to be used as needed, or the teacher may elect to give students the necessary materials on a daily basis.

There are two assessments at the end of each unit. One is the post-assessment (buff), and the other is the unit evaluation (buff).

Suggested Use of Units

Two-Year Programs

First Year:

- *Orientation to D.E. and DECA*
- *Parliamentary Procedure*
- *Careers*
- *Human Relations in Marketing and Distribution*
- *Communications*
- *Retailing*
- *Free Enterprise*
- *Physical Distribution*
- *Mathematics*
- *Getting a Job*

Second Year:

- *Selling*
- *Human Relations on the Job*
- *Customer Services*
- *Sales Promotion*
- *Operations*
- *Buying and Pricing*
- *Marketing Analysis*
- *Economics of Marketing*
- *Operating Your Own Business*
- *Preparing for Promotion*

One-Year Programs

- *Orientation to D.E. and DECA*
- *Parliamentary Procedure*
- *Careers*
- *Human Relations in Marketing and Distribution*
- *Communications*
- *Mathematics*
- *Getting a Job*
- *Selling*
- *Human Relations on the Job*
- *Economics of Marketing*

OPERATING YOUR OWN BUSINESS

INTRODUCTION

Many people think that all it takes to run a business is a little common sense, but starting and operating a business can be both complex and difficult.

There are many reasons one decides to start a business. Most of the decisions for self-employment stem from two desires, wanting to realize a profit and wanting to be one's own boss. Many of these decisions and selections will be discussed in the first part of the unit.

This unit of instruction is designed to help young entrepreneurs gain sound and valuable information about operating their own business. The unit will consider some of the problems that cause so many businesses to fail and how they can be solved.

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Terminal Objectives:

19.00 After completion of this unit, the student should be able to develop a plan to start and successfully operate a business establishment.

Specific Objectives: After the completion of this unit the student should be able to:

19.01 Identify the various types of business establishments in the community.

19.02 Describe small-scale establishments and various small-scale business.

19.03 Identify the various types of large-scale establishments and the ways they differ from the small-scale businesses.

19.04 Identify the potential customer to be served.

19.05 Determine the steps to use in deciding upon a location for a business.

19.06 Develop a layout for a new business.

19.07 Select the equipment needed for a new business.

19.08 Select the merchandise needed for a new business.

19.09 Identify the financial requirements needed in the new business.

19.10 Decide how to organize the new business.

19.11 Discuss the reasons for government regulations in retailing.

19.12 Discuss how government laws are designed to protect public health and safety.

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UNIT OUTLINE

I. Time for unit: a maximum of twenty-six 55 minute class periods

II. Materials

- A. Introduction
- B. Objectives
- C. Lesson Plan
  - 1. Information Sheets
    - a. 1.01 - Terms and Definitions
    - b. 1.02 - Typical Small Businesses
    - c. 1.03 - Types of Business Organizations
    - d. 1.04 - Legal Forms of Business Organization
  - 2. Assignment Sheets
    - a. 1.01 - Types of Businesses
    - b. 1.01 - Types of Businesses - Key
- D. Lesson Plan 2
  - 1. Information Sheet 2.01 - Ways of Determining Customer Potential
  - 2. Assignment Sheets
    - a. 2.01 - Ways of Determining Customer Potential
    - b. 2.01 - Ways of Determining Customer Potential - Key
- E. Lesson Plan 3
  - 1. Information Sheets
    - a. 3.01 - Terms and Definitions
    - b. 3.02 - Factors to Consider in Selecting the Community
    - c. 3.03 - Locations and Types of Businesses Suited To Each

2. Assignment Sheets
    - a. 3.01 - Selecting a Business Location
    - b. 3.01 - Selecting a Business Location - Key

F. Lesson Plan 4

1. Information Sheet 4.01 - Factors to Consider in Selecting a Location

2. Assignment Sheets
    - a. 4.01 - The Traffic and Pedestrian Count
    - b. 4.02 - Feasibility Study (Optional)

G. Lesson Plan 5

1. Information Sheets
    - a. 5.01 - Terms and Definitions
    - b. 5.02 - Reasons, Sources, and Factors for Planning Store Facilities
    - c. 5.03 - Layout Arrangements

2. Assignment Sheets
    - a. 5.01 - Cryptogram
    - b. 5.01 - Cryptogram - Key
    - c. 5.02 - Draw a Store Layout

3. Transparancy Masters
    - a. 5.01 - Free-Flow Merchandise Arrangement
    - b. 5.02 - Gridiron Pattern
    - c. 5.03 - Sources of Help in Planning Physical Facilities
    - d. 5.04 - Combination Merchandise Arrangement

H. Lesson Plan 6

1. Information Sheet 6.01 - Developing a Store Layout

2. Assignment Sheets
    - a. 6.01 - Calculate the Space Required for Given Departments
    - b. 6.01 - Calculate the Space Required for Given Departments - Key
    - c. 6.02 - Draw a Departmental Layout

3. Transparency Masters

   a. 6.01 - Possible Store Arrangement
   b. 6.02 - Nonselling Activities for Which Space Might be Allocated

I. Lesson Plan 7

   1. Information Sheets

      a. 7.01 - Terms and Definitions
      b. 7.02 - Equipment and Fixtures

   2. Assignment Sheets

      a. 7.01 - Equipment and Fixtures
      b. 7.01 - Equipment and Fixtures - Key

   3. Transparency Master 7.01 - Things to Consider When Selecting Equipment for a New Store

J. Lesson Plan 8

   1. Assignment Sheet 8.01 - Write a Report on Equipment and Fixtures

K. Lesson Plan 9

   1. Information Sheets

      a. 9.01 - Terms and Definitions
      b. 9.02 - Merchandise and Budget Planning

   2. Assignment Sheets

      a. 9.01 - Cryptogram
      b. 9.02 - Determine Basic Merchandise Policy

L. Lesson Plan 10

   1. Information Sheet 10.01 - Merchandise Planning

   2. Transparency Masters

      a. 10.01 - Shopping Goods
      b. 10.02 - Staple Merchandise

M. Lesson Plan 11

  1. Information Sheets

    a. 11.01 - Merchandise Budget Information #1
    b. 11.02 - Merchandise Budget Information #2
    c. 11.03 - Merchandise Budget Information #3

  2. Assignment Sheet

    a. 11.01 - Develop a Merchandise Budget

N. Lesson Plan 12

  1. Assignment Sheets

    a. 12.01 - Solve Merchandise Planning Problems
    b. 12.02 - Develop a Model Stock Plan
    c. 12.02 - Develop a Model Stock Plan - Key

O. Lesson Plan 13

  1. Assessment for Objectives 19.01 to 19.08

  2. Assessment for Objectives 19.01 to 19.08 - Key

P. Lesson Plan 14

  1. Information Sheets

    a. 14.01 - Capital Resources
    b. 14.02 - Identifying Financial Requirements

  2. Assignment Sheet 14.01 - Capital Needs

  3. Transparency Masters

    a. 14.01 - Kinds and Types of Capital
    b. 14.02 - Sources of Capital
    c. 14.03 - Factors to Consider When Determining Capital Requirements

Q. Lesson Plan 15

  1. Information Sheet 15.01 - Business Organization and Functions

  2. Assignment Sheets

    a. 15.01 - Internal Organization of a Business
    b. 15.02 - Develop an Organizational Chart

3. Transparency Masters
    a. 15.01 - Functional Organization
    b. 15.02 - Line Organization
    c. 15.03 - Line and Staff Organization
    d. 15.04 - Division of Responsibility in Small Firm
    e. 15.05 - Division of Responsibility in Partnership
    f. 15.06 - Expanded Partnership
    g. 15.07 - Organizational Chart for Large Store

R. Lesson Plan 16

1. Information Sheet 16.01 - Government and Business

2. Assignment Sheet 16.01 - Government and Business

3. Transparency Masters
    a. 16.01 - Fair Trade Items
    b. 16.02 - Unfair Trade Practices
    c. 16.03 - Kinds of Taxes
    d. 16.04 - Formal Contract
    e. 16.05 - Simple Contract

S. Lesson Plan 17

1. Information Sheet 17.01 - Government Services, Protection, and Enforcement

2. Assignment Sheet
    a. 17.01 - Problems in Government and Business
    b. 17.01 - Problems in Government and Business - Key

T. Lesson Plan 18

1. Assessment for Objectives 19.09 - 19.12

2. Assessment for Obejctives 19.09 - 19.12 - Key

U. Lesson Plan 19

1. Unit Evaluation

OPERATING YOUR OWN BUSINESS

LESSON PLAN #1

Time for Lesson: 110 minutes (2/55 minute periods)

Objectives: Upon completion of this unit the student should be able to:

19.01 Identify the various types of establishments in the community.

19.02 Describe small-scale establishments and various small-scale businesses.

19.03 Identify the various types of large-scale business establishments and the ways they differ from the small-scale businesses.

Resources:

1. Introduction to Unit
2. Unit Objectives
3. Information Sheet 1.01 - Terms and Definitions
4. Information Sheet 1.02 - Typical Small Businesses
5. Information Sheet 1.03 - Types of Business Organizations
6. Information Sheet 1.04 - Legal Forms of Business Organization
7. Assignment Sheet 1.01 - Types of Businesses

Teacher Activities:

1. Introduce Unit
    a. Read and discuss briefly with students the Orientation to the Unit.
2. Hand out and explain unit objectives to students.

3. Pass out Information Sheet 1.01 - Terms and Definitions

    a. Have students read.
    b. Discuss with students.
    c. Have students make sentences using the terms correctly.

4. Pass out Information Sheet 1.02 - Typical Small Businesses

    a. Have students read.
    b. Discuss with students.
    c. Have students develop list of small businesses in your area that match those on Information Sheet 1.02.

5. Pass out Information Sheet 1.03 - Types of Business Organizations

    a. Have students read.
    b. Discuss list of business organizations asking students to add to the example lists.

6. Pass out Information Sheet 1.04 - Legal Forms of Business Organization.

    a. Have students read.
    b. Discuss with students pointing out the advantages and disadvantages of each type of business organization.

7. Review all materials covered by having students complete the Assignment Sheet 1.01 - Types of Businesses.

Student Activities:

1. Read and discuss Orientation.

2. Read and discuss Unit Objectives.

3. Read, discuss and make sentences using correctly the terms given.

4. Read, discuss, develop small business list for your area.

5. Read, discuss, give examples of business organizations in area.

6. Read and discuss the advantages and disadvantages of each type of business organization.

7. Complete Assignment Sheet 1.01 - Types of Businesses.

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 1.01

Terms and Definitions

A. Retailer: Business which sells goods in relatively small quantities directly to consumers.

B. Wholesaler: Business which sells products in large quantities to retailers, government, industries, or institutions for resale or business use.

C. Rack-jobber: Kind of wholesaler, most commonly found in grocery stores, who sells nonfood items to retailers and who assumes the retailing duties of marking prices, selecting merchandise to display, and replacing old merchandise with fresh items.

D. Organizational chart: Picture of the division of responsibility in a businesss organization.

E. Line control: Authority in a business traced in a direct path from the top management down to the oldest administrative unit in the organization.

F. Staff control: Specialists added to a business organization for the purpose of giving advice and assistance.

G. Utility: Usefulness added to products by changing their form or by getting them to the customers at the most convenient time and place.

Example: Late store hours, shopping center locations.

INFORMATION SHEET 1.02

Typical Small Businesses

I. Areas in which a small business has a good chance for success

(NOTE: The following list is by no means complete. It is meant merely to give you some ideas of types of businesses that you may not have previously considered.)

A. Small retail establishments

1. Grocery stores
2. General merchandise stores
3. Specialty stores
4. Toy, hobby, or craft shops
5. Card and gift shops
6. Book and stationery stores
7. Sporting goods stores
8. Flower shops
9. Service stations

B. Personal service

1. Art studio
2. Automatic car wash
3. Caterers
4. Costume or suit rentals
5. Horseback riding and livery stables
6. Interior decorating
7. Laundromat or dry cleaners

        8. Linen supply service
        9. Messenger service
        10. Parking lot
        11. Pet shop, pet training, and kennels
        12. Travel agency
        13. Auto repair
    C. Restaurants and food establishments
        1. Drive-ins
        2. Ice cream stand
        3. Pizzeria
        4. Snack bars
    D. Transportation and storage
        1. Moving and storage
        2. Vending machine (route)
        3. Warehouse

II. Factors to consider in determining legal form of organization for a business
    A. Nature of business
    B. Size of business
    C. Capital required
    D. Amount of government taxation and regulations

INFORMATION SHEET 1.03

Types of Business Organizations

(NOTE: There may be some overlapping of these classifications. For example, a chain store may also be a corporation. Also, this list of business organizations is not meant to be all inclusive.)

A. Sole proprietorship (also see Information Sheet 1.04)

1. Is owned and managed by one person
2. Gives freedom of action
3. Stimulates price on ownership
4. May join with other stores or organizations to gain buying power

   Example: I.G.A. (Independent Grocers' Association)

5. Requires owner to bear all expenses

   Example: Interest cost on loan to start business

B. Partnership (also see Information Sheet 1.04)

1. Is owned and managed by two or more people
2. Gives additional finances and management ability to the business
3. Requires profits to be divided among partners

   (NOTE: The responsibilities, duties, and share of profits should be stated clearly in writing before the partnership begins.)

4. Makes each partner responsible for business contacts made by the other partners
5. May dissolve when partners disagree or when one partner dies

C. Corporation (also see Information Sheet 1.04)

1. Is owned by stockholders

   (NOTE: There may be several thousand stockholders.)

2. Is financed by the sale of stock

3. Is managed by a board of directors

4. Requires that profits be divided among stockholders

5. Requires a charter from the state, which allows the company to conduct business transactions as a single person

6. Has heavy taxes and government restrictions

7. Has tremendous possibilities for growth, expert management, and continued existence

D. Cooperative

Examples: Rural Electric Cooperative, farmers' cooperatives

1. Is owned and operated by members of the organization for the benefit of the organization's members

2. Is financed by the sale of stock

3. Is managed by a board of directors

4. Requires that profits be divided among stockholders

5. Allows its members to buy goods in quantity so the goods can be bought at a lower price

E. Leased dealership

Examples: Many major services stations, beauty shops, optical products, and soda fountains found in department stores but leased to persons with special knowledge in those areas

1. Is owned and maintained by a company

   Example: Company owns land, building, and equipment

2. Is leased to someone to operate

   Example: Leassee would own the merchandise

3. Receives benefits of the company's national advertising

4. Requires less initial investment to get started than an independent retailer

F. Franchise

Examples: McDonald's, Baskin-Robbins Ice Cream Store, Holiday Inn, Avis Rent-A-Car, Pepsi-Cola wholesaler, auto agencies

1. May be independently owned

2. Is granted exclusive right by the manufacturer to sell goods or services in a particular market area

3. Has rules for the operation established by the manufacturer in exchange for use of the company's name

4. Receives help in financing, record keeping, sales promotion, and management

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INFORMATION SHEET 1.04

A Legal Form of Business Organization - Sole Proprietorship

A. Advantages

1. Easy to organize and terminate
2. Freedom of action - owner is own boss
3. No sharing of profits
4. Low taxes (profits taxed as personal income)
5. Personal pride of ownership
6. Owner can act quickly in decision making
7. Owner personally knows employees and customers

B. Disadvantages

1. Difficulty of raising capital
2. Lack of assistance in business operations

   (NOTE: Owner may lack special skills and abilities needed.)

3. Unlimited liability
4. Uncertain future
5. Limited life of business

C. Types of Businesses Particularly Suited to the Sole Proprietorship Form of Organization

1. Those that can be managed by the proprietor or persons hired by him/her.
2. Those not requiring a great amount of capital

3. Those that sell principally one kind of merchandise or service

4. Examples

   a. Newspaper and magazine stands
   b. Restaurants
   c. Service stations
   d. Flower shops
   e. Dress shops
   f. Parking lots
   g. Others

A Legal Form of Business Organization - Partnership

A. Advantages

   1. Division of responsibilities

   2. Each partner contributes her/his goodwill

   3. Combination of skills - better management

   4. Sources of capital increased

   5. Easier to obtain credit

   6. Relatively easy to organize

   7. Little government control

   8. Low taxes

   9. Operating economies

B. Disadvantages

   1. Unlimited liability

   2. Each partner bound by contracts of others

   3. Profits shared

   4. Possibility of disagreement

   5. Risk of dissolution

   6. Limited expansion and capital available

   7. Limited life of business

C. Types of business specifically suited to the partnership form of business organization

1. Those businesses offering more than one kind of goods or services

2. Examples

   a. Auto sales and repair
   b. Auto repair and paint shops
   c. Retail grocery and meat markets
   d. Restaurants
   e. Camera shop and photography service
   f. Laundry and dry cleaners
   g. Others

D. Guidelines for selecting a business partner

1. Make sure you know him/her (Them) well

2. Make sure your personalities are compatible

3. Select partner who is strong in those areas in which you are weak

4. Select partner willing to devote her/his time to this one business interest

5. Make sure both of you are in agreement as to how firm should be operated

E. Elements needed in a contract of co-partnership

1. Date

2. Identity of all partners

3. Nature of the business

4. Name and location of business

5. Duration of partnership

6. Investments of partners

7. Sharing of profits and losses

8. Accounts of business

9. Partner's wages

10. Duties of partners

11. Restraints of partners

12. Termination of partnerships

A Legal Form of Business Organization - Corporate Ownership

A. Basic types of corporation

1. Open or public type--offers stock to the general public through various security markets
2. Closed or family type--restricts sale of stock to a certain few
3. Cooperative--supplies goods and services to its owners known as members

B. How a corporation is organized and operated

1. Ownership divided into equal parts of capital stock (called shares)
2. Stockholders own the business
3. Stockholders elect board of directors
4. Directors formulate policies, set goals, and appoint officers
5. Officers in small corporation consist of a president, secretary and treasurer
6. Officers manage the corporation business
7. Officers may employ additional persons, if needed, to operate the business

C. Advantages of corporate ownership

1. Limited liability
2. Only designated officers can make contracts
3. Variety of skills, abilities, and ideas
4. Ownership easily transferred

ASSIGNMENT SHEET 1.01

Types of Businesses

1. Give at least three (3) examples for each of the following types of businesses:

   a. Sole Proprietorship

      1.

      2.

      3.

   b. Partnership

      1.

      2.

      3.

   c. Corporation

      1.

      2.

      3.

   d. Cooperative

      1.

      2.

      3.

   e. Chain Store

      1.

      2.

      3.

f. Branch Store

    1.

    2.

    3.

g. Franchise

    1.

    2.

    3.

2. List the 4 main factors to consider when deciding which legal form of organization for a business to set up.

    a.

    b.

    c.

    d.

3. Give at least (2) two advantages and (2) two disadvantages for each of the 3 types of business organizations. (Legal)

    a.
        Advantages
        1)
        2)
        Disadvantages
        1)
        2)

    b.
        Advantages
        1)
        2)
        Disadvantages
        1)
        2)

    c.
        Advantages
        1)
        2)
        Disadvantages
        1)
        2)

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 1.01 (KEY)

Types of Businesses

1. Give at least three (3) examples for each of the following types of businesses:

   a. Individual Proprietorship

      1. I.G.A.

      2. NAPA Auto Parts

      3. Saks Fifth Avenue

   b. Partnership (Answers could vary with various locations within the student population.)

      1.

      2.

      3.

   c. Corporation

      1. Westinghouse

      2. General Electric

      3. Ford Motor Manufacturing Corporation (Dealerships are Franchise)

   d. Cooperative

      1. Farm Bureau

      2. Rural Electric Cooperative

      3. Fruit Growers Cooperative

   - e. Chain Store
     1. Safeway
     2. Montgomery Ward
     3. Woolco
   - f. Branch Store (Answers could vary with various locations within the student population.)
   - g. Franchise
     1. McDonalds
     2. Holiday Inn
     3. Pepsi Cola Wholesaler

2. List the 4 main factors to consider when deciding which legal form of organization for a business to set up.
   - a. Nature of business
   - b. Size of business
   - c. Capital required
   - d. Amount of government taxation and regulations

3. Give at least (2) two advantages and (2) two disadvantages for each of the 3 types of business organizations. (Legal)
   - a. Sale proprietorship (See Information Sheet 1.04, A & B)
   - b. Partnership (See Information Sheet 1.04, A & B Under Partnership)
   - c. Corporate Ownership (See Information Sheet 1.04, A & B Under Corporate Ownership)

OPERATING YOUR OWN BUSINESS

LESSON PLAN #2

Time for Lesson: 55 minutes

Objectives: Upon completion of this unit the student should be able to:

19.04 Identify the potential customer to be served

Resources:

1. Information Sheet 2.01 - Ways of Determining Customer Potential
2. Assignment Sheet 2.01 - Ways of Determining Customer Potential

Teacher Activities:

1. Pass out and discuss Information Sheet 2.01 - Ways of Determining Customer Potential
2. Pass out Assignment Sheet 2.01 - Ways of Determining Customer Potential
3. Collect at end of your class period Assignment 2.01 - Ways of Determining Customer Potential

Student Activities:

1. Read Information Sheet 2.01 - Ways of Determining Customer Potential
2. Discuss Information Sheet 2.01 - Ways of Determining Customer Potential
3. Read Assignment Sheet 2.01 - Ways of Determining Customer Potential
4. Complete in class Assignment Sheet 2.01 - Ways of Determining Customer Potential

Assignments:

1. Complete in class Assignment Sheet 2.01 - Ways of Determing Customer Potential

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 2.01

Ways of Determining Customer Potential

I. The Retailing Mix
    A. Price
    B. Product
    C. Place
    D. Promotion
        1. Combining the ingredients
        2. Adjusting the combination

II. Sources of Information on Customers
    A. Marketing research--the gathering, recording, and analyzing of all the facts relating to the sale of goods and services from producer to consumer
    B. The need for information
    C. Primary sources
        1. Store records
        2. Customer complaints
        3. Interviews and questionnaires
        4. Other primary sources
    D. Secondary Sources
        1. Trade associations
        2. Other retailers
        3. Research reports

ASSIGNMENT SHEET 2.01

Ways of Determining Customer Potential

Answer the following questions.

1. What are the four elements of the marketing mix?

2. Name some of the ways in which a retailer can obtain primary source information.

3. What are some sources of secondary information that can help a retailer learn about consumers?

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 2.01 - KEY

Ways of Determining Customer Potential

1. What are the four elements of the marketing mix?
   a. Price
   b. Product
   c. Place
   d. Promotion
2. Name some of the ways in which a retailer can obtain primary source information.
   a. Store records
   b. Customer complaints
   c. Interviews and questionnaries
3. What are some sources of secondary information that can help a retailer learn about consumers?
   a. Trade associations
   b. Other retailers
   c. Research reports

OPERATING YOUR OWN BUSINESS

LESSON PLAN #3

Time for Lesson: 55 minutes

Objectives: Upon completion of this unit the student should be able to:

19.05 Determine the steps to use in deciding upon a location for a business

Resources:

1. Information Sheet 3.01 - Terms and Definitions
2. Information Sheet 3.02 - Factors to Consider in Selecting the Community
3. Information Sheet 3.03 - Locations and Types of Businesses Suited to Each
4. Assignment Sheet 3.01 - Selecting a Business Location

Teacher Activities:

1. Pass out Information Sheet 3.01 - Terms and Definitions
    a. Have students read.
    b. Discuss terms with students.
    c. Have students make sentences using the words correctly.
2. Pass out Information Sheet 3.02 - Factors to Consider in Selecting the Community
    a. Have students read.
    b. Discuss factors with students. (Compare these factors with area community.)
3. Pass out Information Sheet 3.03 - Locations and Types of Businesses Suited to Each
    a. Have students read.
    b. Discuss the relationship of types of business and their location.

4. Pass out Assignment Sheet 3.01 - Selecting a Business Location
   a. Have students complete for next class section.
5. Review all materials discussed by asking oral questions (of own choice).

Student Activities:

1. Read and discuss terms.
2. Read and discuss factors.
3. Read and discuss locations and types of businesses.
4. Be prepared to answer oral questions asked in class by instructor.
5. Complete Assignment Sheet 3.01 - Selecting a Business Location for next class session.

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 3.01

Terms and Definitions

A. Central shopping district--The shopping district which is the heart of a city or town usually known as the "downtown area"

B. Disposable income--The annual income received by persons from all sources after taxes and social security have been taken out.

C. 100 percent location--The most ideal store location existing in a given shopping area

D. Per capita income--The amount of income for each person

E. Plaza--A group of commercial establishments which are planned, developed, owned, or managed as a unit with off-street parking

F. Secondary shopping district--A concentration of stores in an area serving a section of a city or town

G. String street--A street on which stores are lined up for a large number of blocks or a few miles.

H. Trading area--The geographic area within which most of a store's customers live

I. Zoning restrictions--Those restrictions which specify that in certain zones or districts only certain types of businesses may be established

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	Excellent	Good	Fair	Poor
5. Competition: Number of stores in area Type of stores in area Type of stores across street Number of vacancies Sales of nearest competitors				
	COMMENTS			
6. Legal information: Zoning restrictions Legal description of property (from courthouse records) Legal ownership History of sale Assessed value Tax rate Mortgages against property				
	COMMENTS			
7. The building: Condition Frontage (in feet) Depth (in feet) Appearance Heating system (type) Lighting Entrances Display windows Display space				
	COMMENTS			
8. Site characteristics: (Unfavorable) Visibility of location Fire hazards Neighboring facilities Hospitals Cemeteries Garages Disagreeable odors, smoke, dust Poor sidewalks, and streets Other				
	COMMENTS			

INFORMATION SHEET 3.02

Factors to Consider in Selecting the Community for Your Business

A. Total population of town and surrounding area

B. Age and nature of population

C. Growth rate of town and area (or lack of growth)

D. Per capita income of population

E. Nature and prosperity of industries in community

(NOTE: Be careful in considering "one industry" towns, dominated by one company.)

F. Number and the type business you are considering that already exist in area

G. Number of related businesses in area

H. Gross annual sales of type businesses in area

I. Total retail sales

J. Per capita retail sales

K. Climate

L. Rent range of business buildings

M. Banking and credit facilities available

N. Insurance rates

O. Advertising media available

P. Taxes and government regulations

Q. Transportation systems available

R. Labor conditions

Factors to consider in determining the number of businesses a community can support

A. Number of people in area

B. Total and disposable income of area people

C. Number of same or similar businesses already in existence

(NOTE: The Small Business Administration should have current information on the number of businesses of a specific type which a town of a given population can support.)

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INFORMATION SHEET 3.03

Locations Within a Community and the Types of Businesses Suited to Each

A. Downtown or central business district

   1. Department stores
   2. Stores carrying merchandise subject to comparison shopping
   3. Hotels
   4. Restaurants
   5. Parking lots

B. Secondary business district or "fringe" areas

   1. Automobile showrooms and repair shops
   2. Funeral home
   3. Light industries

C. Neighborhood shopping centers

   1. Drug stores
   2. Bakeries or delicatessens
   3. Groceries
   4. Laundromats and/or cleaners
   5. Barber shops
   6. Radio and TV repair shops

D. Shopping plaza or regional shopping center

   1. Department stores
   2. Specialty stores
   3. Discount stores

    4. General merchandise or furniture stores
    5. Restaurants and delicatessens
    6. Theaters

E. String streets or thoroughfares

    1. Service stations
    2. Drive-in theaters
    3. Fresh fruit markets
    4. New and used car dealers
    5. Furniture stores

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 3.01

Selecting a Business Location

Below is a list of retail establishments. To the right are locations with a community where these establishments might be located. After each establishment mark an "X" in the column or columns representing the general locations which you feel are best suited to each type of business.

LOCATION / TYPE OF STORE	String Street or Thoroughfare	Central Business District	Secondary Business District or Fringe Areas	Neighborhood Shopping Center	Shopping Plaza or Regional Shopping Center
Drive-in theatre					
Restaurant					
Service station					
Hardware store					
Variety store					
Laundromat					
Department store					
Furniture store					
Camera store					
Drug store					
Liquor store					
Funeral parlor					
Grocery store					
Men's apparel					

OPERATING YOUR OWN BUSINESS

ANSWERS TO ASSIGNMENT SHEET 3.01

LOCATION TYPE OF STORE	String Street or Thoroughfare	Central Business District	Secondary Business District or Fringe Areas	Neighborhood Shopping Center	Shopping Plaza or Regional Shopping Center
Drive-in theatre	X				
Restaurant		X	X	X	X
Service station	X		X	X	X
Hardware store			X	X	X
Variety store			X	X	X
Laundromat			X	X	
Department store		X			X
Furniture store	X	X			X
Camera store		X			X
Drug store		X		X	X
Liquor store	X	X	X	X	X
Funeral parlor			X		
Grocery store			X	X	
Men's apparel		X		X	X

Key will vary according to community

OPERATING YOUR OWN BUSINESS

LESSON PLAN #4

Time for Lesson: 55 minutes

Objectives: Upon completion of this unit the student should be able to:

19.05 Determine the steps to use in deciding upon a location for a business.

Resources:

1. Information Sheet 4.01 - Factors to Consider in Selecting a Location
2. Assignment Sheet 4.01 - The Traffic and Pedestrian Count
3. Assignment Sheet 4.02 - Feasibility Study (Optional)

Teacher Activities:

1. a. Have brainstorming session "Factors to Consider in Selecting a Store Location Within the Community."

   b. List these factors on chalkboard.

2. Pass out Information Sheet 4.01 - Factors to Consider in Selecting a Location
3. Pass out Assignment Sheet 4.01 - The Traffic and Pedestrian Count. Explain how the student will use it.
4. Pass out Assignment Sheet 4.02 - Feasibility Study. Explain how the student will use it.

   Assignment Sheet 4.01 will be due one week from date handed out.

Student Activities:

1. Read Introduction Sheet 4.01 - Factors to Consider in Selecting a Location
2. Listen to Lecture

Assignment:

1. Assignment Sheet 4.01 - The Traffic and Pedestrian Count

Optional Activities:

1. Assignment Sheet 4.02 - Feasibility Study

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 4.01

Factors to Consider in Selecting a Location

I. Factors to consider in selecting a store location within the community

  A. Easy to reach--transportation available

  B. Parking facilities nearby

  C. Number of vehicles and/or pedestrians who pass by

  D. Street conditions

    1. Well-lighted

    2. Not too crowded

    3. In good condition

    4. Facilitate deliveries from suppliers

  E. Rent and insurance rates in neighborhood

  F. Nearness of other stores attracting type customer you want

  G. Position of location within the block--the closer to the corner, the better

  H. Appearance of existing building and surrounding area

  I. Zoning restrictions

  J. Space for enlargement

  (NOTE: All of the above factors should be considered when comparing locations within a community.)

II. Common errors in selecting a site

  A. Basing selection on cost rather than suitability

B. Basing selection on number of stores in the area and not considering volume of trade to support the businesses

C. Selecting location suited to one type of business but not another

III. Determining whether property should be rented, leased, or purchased

(NOTE: A new merchant may want to lease facilities until both the location and the business have proven themselves. However, the following factors should be considered before making the final decision.)

A. How much cash is available for operating expenses?

B. What is the minimum length of time you can lease?

C. Is option to purchase property available?

D. Would you be able to sublease the property if necessary?

E. On what basis would rent be determined? i.e., percentage of sales

F. Who will pay building repair and alteration costs?

G. Who will pay the utility bills?

H. Are there restrictions on the type merchandise you can sell?

I. Does building meet minimum fire and building code standards?

J. What happens if there is a fire or the building is condemned?

ASSIGNMENT SHEET 4.01

The Traffic and Pedestrian Count

Directions

1. Select two possible locations for the type business you hope to own or manage one day. Make a pedestrian count for each location.

   A. Make the count for each location on the same day of the week and at the same hour of the day.

      (NOTE: For best results, make your count during the middle morning hours (say 9-11) and middle afternoon hours (2-4). You can imagine how distorted your results might be if the count were taken during rush hour traffic.)

   B. To make the pedestrian count, use the form provided below to tabulate the number of women, teenagers, children, and men who pass that location.

      (NOTE: If you were actually hoping to establish this business right away, these counts would be made several times per week at various times during the day to try to get the total picture.)

LOCATION "A" PEDESTRIAN COUNT FORM

Location:	Women	Teenagers	Children	Men	Total
Time of Day:					
Weather:					
Remarks:					
				Total	

LOCATION "B" PEDESTRIAN COUNT FORM

Location:	Women	Teenagers	Children	Men	Total
Time of Day:					
Weather:					
Remarks:					
				Total	

2. Select two possible locations for a service station, drive-in restaurant, dry-cleaner, or other business that is mainly accessible by car. Make a traffic count for each location.

   a. Make the count for each location the same day of the week and the same hour of the day.

   b. Count the number of cars, trucks, etc., that pass that location within at least a 30 minute period.

   c. Tally the total number of automobiles passing each location on the forms provided below.

Location A	Location B
Name of Location	Name of Location

LOCATION OF SITE: ______________

STUDENT NAME ____________
DATE SURVEY MADE ________

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 4.02

Feasibility Study - (Optional Activity for Independent Study)

Determine a site within your community that you feel would be a good location for the type business you hope to own or manage. Evaluate the site using the following guidelines.

	Rating			
Points to consider	Excellent	Good	Fair	Poor
1. Type of property: (Vacant, residential, existing business, or other?) Size and dimensions of lot Improvements and preparation needed Utilities available				
	COMMENTS			
2. Cost: Rent or lease cost Buying price Cost of needed improvements				
	COMMENTS			
3. Location of property: Position within the block Main traffic street Type of neighborhood (Residential, business, or highway?) Parking available				
	COMMENTS			
4. Traffic information: Sex of pedestrians Age of pedestrians Destination of pedestrians Pedestrian traffic count Auto traffic count Peak traffic hours Proposed changes in street or highway Kind of public transportation available				
	COMMENTS			

OPERATING YOUR OWN BUSINESS

LESSON PLAN #5

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student will be able to:

19.06 Develop a layout for a new business.

Resources:

1. Information Sheet 5.01 - Terms and Definitions
2. Information Sheet 5.02 - Reasons, Sources, and Factors for Planning Store Facilities
3. Information Sheet 5.03 - Layout Arrangements
4. Assignment Sheet 5.01 - Cryptogram
5. Assignment Sheet 5.02 - Draw a Store Layout
6. Transparency Master 5.01 - Free-Flow Merchandise Arrangement
7. Transparency Master 5.02 - Gridiron Pattern
8. Transparency Master 5.03 - Sources of Help in Planning Physical Facilities
9. Transparency Master 5.04 - Combination Merchandise Arrangement

Teacher Activities:

1. Pass out, have students read and then discuss Information Sheet 5.01 - Terms and Definitions
2. Pass out and have students work Assignment Sheet 5.01 - Cryptogram.

3. Check students' work on Assignment Sheet 5.01 - Cryptogram. Have students give a word they found and make a sentence using the word correctly.

4. Pass out, have students read, and then discuss Information Sheet 5.02 - Reasons, Sources and Factors for Planning Store Facilities.

5. Pass out, have students read, and then discuss Information Sheet 5.03 - Layout Arrangements.

6. Show and discuss with students Transparency Master 5.01 - Free-Flow Merchandise Arrangement.

7. Show and discuss with students Transparency Master 5.02 - Gridiron Pattern.

8. Show and discuss with students Transparency Master 5.03 - Sources of Help in Planning Physical Facilities.

9. Show and discuss with students Transparency Master 5.04 - Combination Merchandise Arrangement.

10. Pass out and explain Assignment Sheet 5.02 - Draw a Store Layout.

Student Activities:

1. Read and discuss Information Sheet 5.01 - Terms and Definitions.

2. Complete, in class, Assignment Sheet 5.01 - Cryptogram.

3. Check and discuss work on Assignment Sheet 5.01 - Cryptogram.

4. Read and discuss with instructor Information Sheets 5.02 - Reasons, Sources and Factors for Planning Store Facilities and 5.03 - Layout Arrangements.

5. View and answer questions by instructor about Transparency Masters 5.01 - Free-Flow Merchandise Arrangements.
   5.02 - Gridiron Pattern.
   5.03 - Sources of Help in Planning Physical Facilities.
   5.04 - Combination Merchandise Arrangements.

6. Review Assignment Sheet 5.02 - Draw a Store Layout with instructor before completing.

Assignment:

1. Assignment Sheet 5.01 - Cryptogram. In class.
2. Assignment Sheet 5.02 - Draw a Store Layout outside of class time which is to be completed in one week.

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 5.01

Terms and Definitions

A. Convenience items: Those which are of high demand and (usually) low unit value; items purchased frequently, i.e., cigarettes and hose

B. Demand items: Those which a customer plans to buy before she/he enters the store

C. Differential advantage: An advantage gained because of the difference in the quality, attractiveness, or convenience of one item over another; i.e., of one store over another.

D. Free-flow merchandise arrangement: One which consists of a series of circular, octagonal, oval, or U-shaped fixture patterns (TM 1)

E. Gridiron pattern: A rectangular arrangement of fixtures and aisles in a more or less repetitive pattern (TM 2)

F. Gross margin: The figure obtained by subtracting the cost of merchandise from net sales.

G. Impulse items: Those which appeal to personal taste rather than need; usually items of low unit value and governed by the dictates of fashion.

H. Model-stock plan: An outline of the composition of the stock in terms of styles, price lines, colors, materials, and other factors

I. Physical facilities: The building, department, or other space in which a business operates

J. Sales per square foot: The figure obtained by dividing a department's dollar sales by the number of square feet of selling space the department occupies.

K. Sales volume: The total dollar sales of a department or business for a given period of time

L. Store layout: The interior arrangement of a store's selling and nonselling activities

M. Turnover: The number of times a stock of merchandise is replaced in one year; calculated by dividing annual sales by merchandise inventory

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 5.02

Reasons, Sources and Factors For Planning Store Facilities

I. Reasons for studying physical facilities

   A. Expense of occupying and operating physical facilities is a major factor in determining the type that can be used.

   B. The layout of the facilities can influence the efficiency of operations.

   C. Facilities are good means of achieving differential advantage over competitors.

   D. Knowledge enables one to evaluate the plans formulated by store planning specialists.

II. Sources of help for planning physical facilities (TM 5.03)

   A. Trade association's store-planning services

   B. Advertisements in trade publications

   C. Manufacturers of store fixtures and equipment

   D. Wholesalers' retail merchandising experts

   E. Architects and store designers

   (NOTE: If any major construction needs to be done, it is usually much more economical to pay an architect's fee to get the job planned properly.)

III. General factors that should be considered in planning the physical facilities of a business

   A. External

      1. Appearance

      2. Number and type of entrances

      3. Unloading and loading facilities

      4. Awnings

B. Internal

  1. Space requirements of total operation
  2. Types of walls
  3. Colors
  4. Floor coverings

IV. Basic areas of decision-making in determining the physical layout

  A. Departmentalizing related items into homogenous groups
  B. Determining type of fixtures
  C. Determining aisle arrangements
  D. Determining amount of space for each department
  E. Selecting departmental locations
  F. Determining arrangement of merchandise

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 5.03

Layout Arrangements

I. Bases for departmentalizing

   A. Kind of item--should be same or related

   B. Customer's purchasing motive

   C. Type of storage or display equipment required

   D. Appeal to specific segments of the market (i.e., budget department)

   E. Customary trade practices

II. Types of layout arrangements and advantages of each

   A. Gridiron pattern (TM 5.02)

      1. Minimizes total floor space required

      2. Allows more merchandise to be displayed in less space

      3. Facilitates using standardized fixtures throughout

      4. Adapts easily to structural situation

   B. Free-flow merchandise arrangement (TM 5.01)

      1. Flexibility

      2. Department's linear counter space can be expanded or contracted as needed.

      3. Increases customer exposure to merchandise

      4. Provides alternative courses of customer movement

      5. Facilitates greater store individuality and attractiveness

   C. Combination of both--combines best features of each (TM 5.04)

OPERATING YOUR OWN BUSINESS
ASSIGNMENT SHEET 5.01

Cryptogram

D	S	U	V	P	T	M	V	W	S	K	G	K	L	N	E	R	T	Y	S	G
I	E	Q	W	E	R	O	I	U	A	T	R	I	O	P	N	R	E	W	T	F
F	I	M	L	K	J	D	S	A	L	Y	O	L	P	O	R	D	S	A	O	D
F	T	S	A	I	O	E	E	I	E	K	S	I	Q	O	E	E	J	L	R	S
E	I	J	K	N	L	L	I	O	S	U	S	Q	W	E	T	R	T	I	E	A
R	L	B	C	Q	D	S	R	U	P	T	M	Q	M	J	T	B	C	D	L	X
E	I	A	B	C	D	T	E	F	E	G	A	H	I	J	A	K	I	M	A	B
N	C	P	Q	O	N	O	R	S	R	T	R	U	W	W	P	X	B	T	Y	N
T	A	S	I	V	M	C	B	Y	S	G	G	Q	B	A	N	S	T	R	O	M
I	F	D	S	S	A	K	O	U	Q	G	I	M	J	I	O	S	K	E	U	C
A	L	B	C	Q	D	P	I	T	U	R	N	O	V	E	R	I	S	O	T	T
L	A	J	G	Z	M	L	B	O	A	W	I	J	N	O	I	I	V	A	D	W
A	C	T	I	V	B	A	C	A	R	D	U	V	L	V	D	M	P	U	S	Y
D	I	G	A	D	U	N	I	V	E	P	I	M	G	N	I	S	K	E	O	U
V	S	I	L	E	I	L	E	S	F	I	O	E	A	I	R	A	S	D	F	I
A	Y	Q	W	E	R	S	T	D	O	I	D	H	W	I	G	I	O	D	S	O
N	H	A	S	D	F	G	A	I	O	I	C	Q	W	E	R	T	Y	U	I	P
T	P	J	K	L	O	I	U	L	T	R	A	S	D	F	G	H	J	K	L	E
A	H	I	L	K	C	O	N	V	E	N	I	E	N	C	E	I	T	E	M	S
G	I	O	E	I	O	Q	E	M	I	S	N	I	E	I	E	C	I	M	S	T
E	A	S	D	F	J	K	W	K	L	I	V	Q	W	E	R	T	Y	U	I	O
L	K	J	H	F	D	O	N	E	S	D	S	O	A	Q	W	S	E	D	R	F
Y	H	U	I	I	L	Q	P	W	O	E	I	R	L	Q	A	S	E	R	I	L
U	N	C	V	F	Z	X	C	V	B	N	M	L	K	U	N	B	V	C	D	J
Q	O	N	E	N	M	B	D	V	W	E	R	J	K	V	M	N	X	C	V	M
I	N	E	E	R	T	B	I	M	P	U	L	S	E	I	T	E	M	S	N	C
O	R	U	I	O	L	V	F	Y	R	D	X	M	L	J	Y	R	W	Q	I	P
F	E	R	T	Y	U	O	L	N	B	V	C	X	Z	U	T	R	E	W	Q	L

OPERATING YOUR OWN BUSINESS
ASSIGNMENT SHEET 5.01 - KEY

Cryptogram

D	S	U	V	P	T	M	V	W	S	K	G	K	L	N	E	R	T	Y	S	G
I	E	Q	W	E	R	O	I	U	A	T	R	I	O	P	N	R	E	W	T	F
F	I	M	L	K	J	D	S	A	L	Y	O	L	P	O	R	D	S	A	O	D
F	T	S	A	I	O	E	E	I	E	K	S	I	Q	O	E	E	J	L	R	S
E	I	J	K	N	L	L	I	O	S	U	S	Q	W	E	T	R	T	I	E	A
R	L	B	C	Q	D	S	R	U	P	T	M	Q	M	J	T	B	C	D	L	X
E	I	A	B	C	D	T	E	F	E	G	A	H	I	J	A	K	I	M	A	B
N	C	P	Q	O	N	O	R	S	R	T	R	U	W	W	P	X	B	T	Y	N
T	A	S	I	V	M	C	B	Y	S	G	G	Q	B	A	N	S	T	R	O	M
I	F	D	S	S	A	K	O	U	Q	G	I	M	J	I	O	S	K	E	U	E
A	L	B	C	Q	D	P	I	T	U	R	N	O	V	E	R	I	S	O	T	T
L	A	J	G	Z	M	L	B	O	A	W	I	J	N	O	I	I	V	A	D	W
A	C	T	I	V	B	A	C	A	R	D	U	V	L	V	D		P	U	S	Y
D	I	G	A	D	U	N	I	V	E	P	I	M	G	N	I	S	K	E	O	U
V	S	I	L	E	I	L	E	S	F	I	O	E	A	I	R	A	S	D	F	I
A	Y	Q	W	E	R	S	T	D	O	I	D	H	W	I	G	I	O	D	S	O
N	H	A	S	D	F	G	A	I	O	I	C	Q	W	E	R	T	Y	U	I	P
T	P	J	K	L	O	I	U	L	T	R	A	S	D	F	G	H	J	K	L	E
A	H	I	L	K	C	O	N	V	E	N	I	E	N	C	E	I	T	E	M	S
G	I	O	E	I	O	Q	E	M	I	S	N	I	E	I	E	C	I	M	S	T
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L	K	J	H	F	D	O	N	E	S	D	S	O	A	Q	W	S	E	D	R	F
Y	H	U	I	I	L	Q	P	W	O	E	I	R	L	Q	A	S	E	R	I	L
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O	R	U	I	O	L	V	F	Y	R	D	X	M	L	J	Y	R	W	Q	I	P
F	E	R	T	Y	U	O	L	N	B	V	C	X	Z	U	T	R	E	W	Q	L

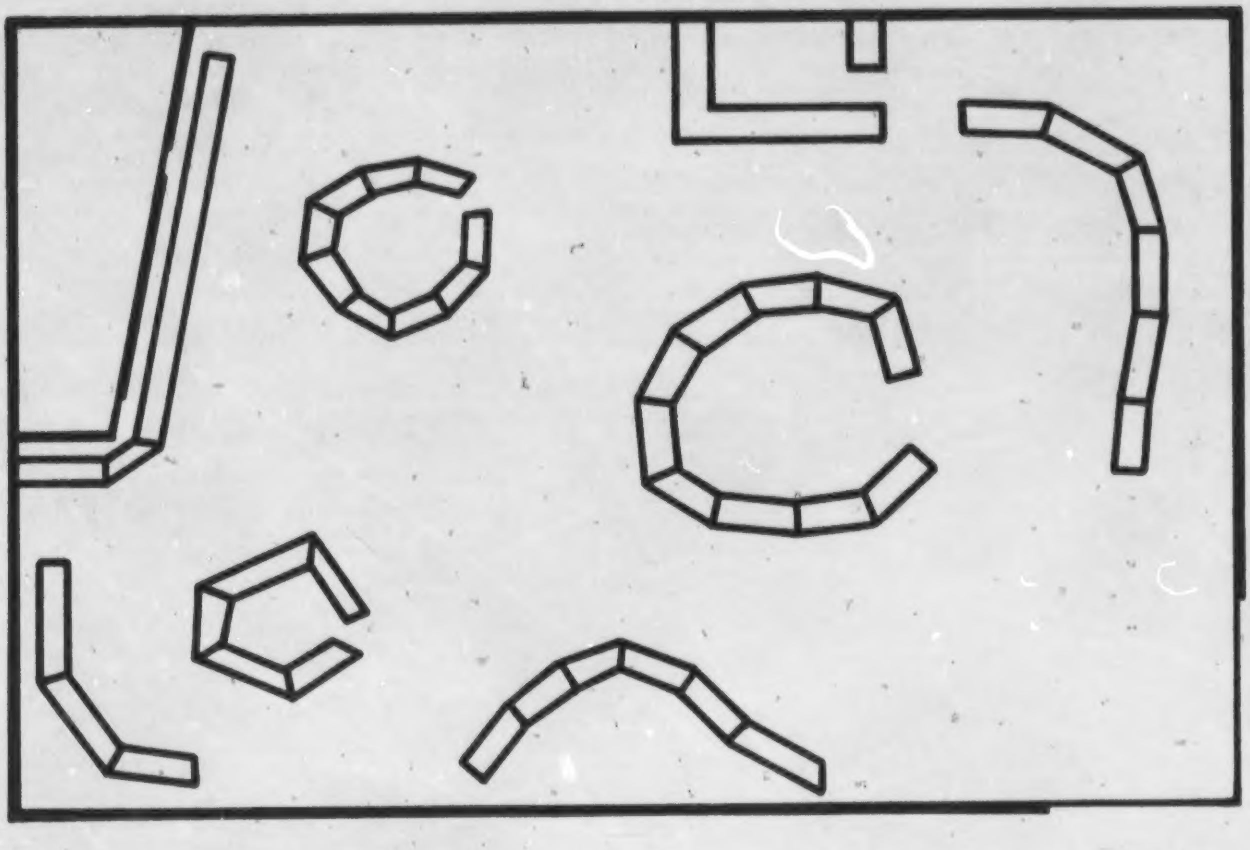
ASSIGNMENT SHEET 5.02

Draw a Store Layout

Directions:

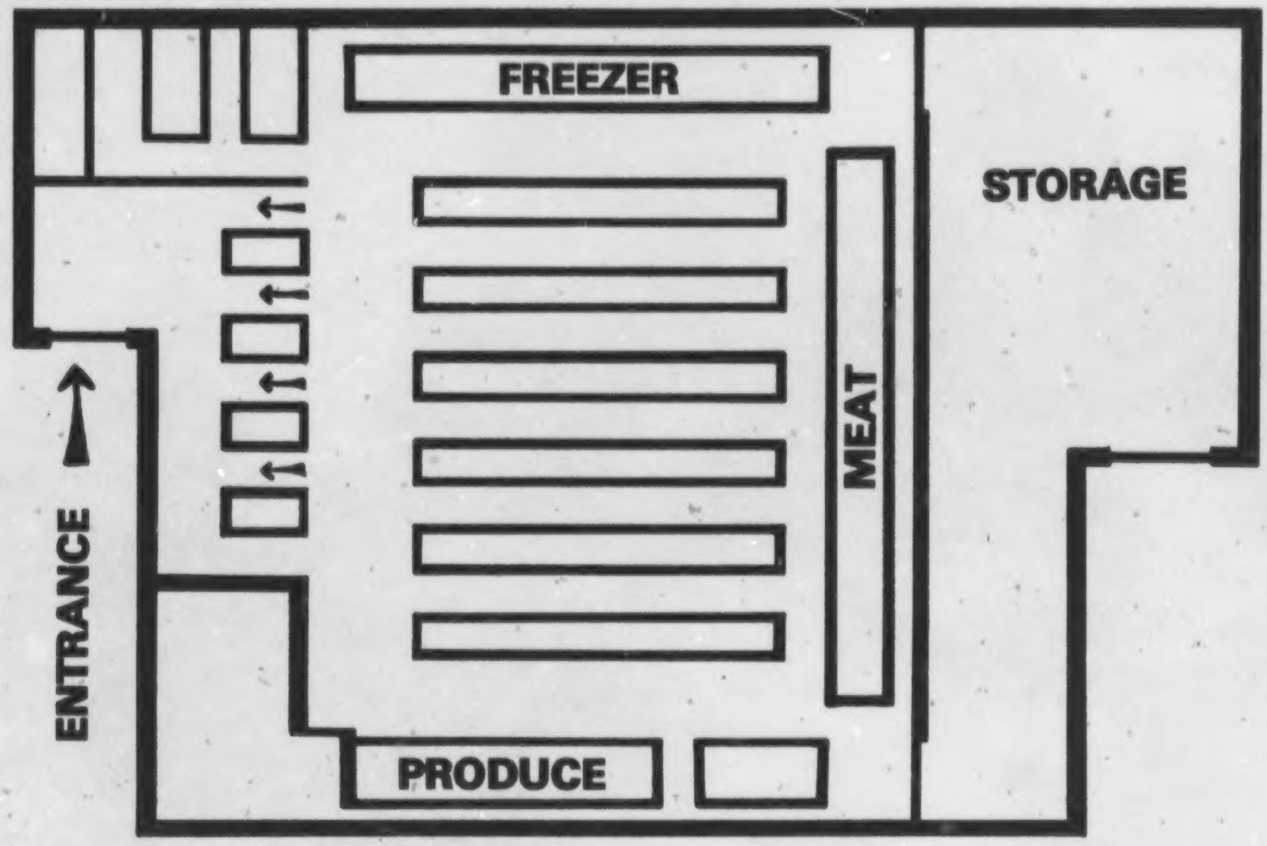
1. Determine what departments would be needed for the type of business you hope to own or manage.
2. Using the floor plan of an existing building, redesign the interior layout as you feel it would be most effective. Give special consideration to the placement and space allocated to each department.
3. The maximum size paper on which the drawing is made shall not exceed 22 x 28 inches. Scale will be shown. Make drawing in black ink or pencil.
4. Optional: Draw the interior layout for a new building which will house the same type of business as above. Use the same guidelines and procedures in determining the space requirements and arrangement of each department.
5. Project to be completed in one week.

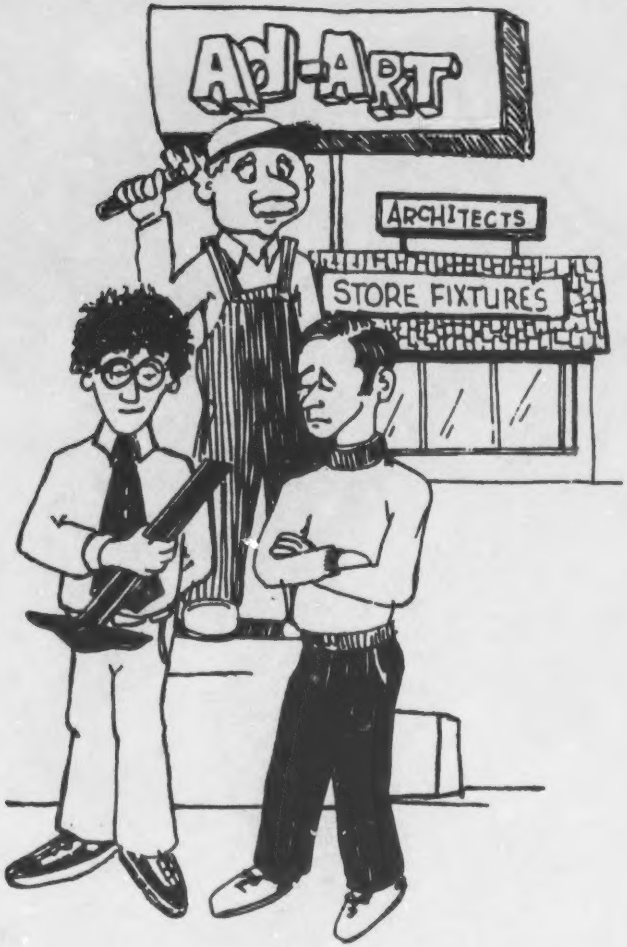
Free-Flow Merchandise Arrangement



66

Gridiron Pattern


FREEZER
STORAGE
MEAT
ENTRANCE
PRODUCE


Ad-ART
ARCHITECTS
STORE FIXTURES

Sources of Help in Planning Physical Facilities

Planning Services

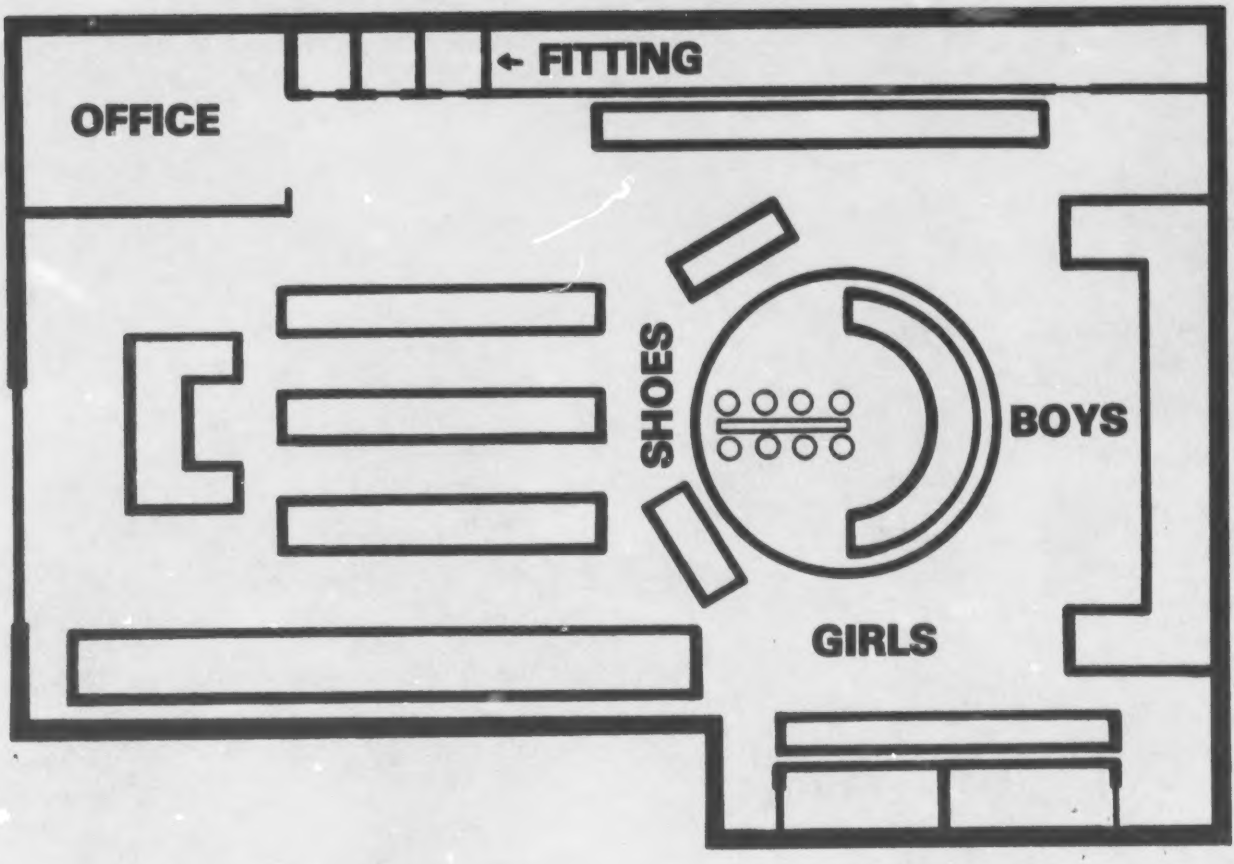
Advertisements

Manufacturers

Experts

Architects

Combination Merchandise Arrangement


← FITTING
OFFICE
SHOES
BOYS
GIRLS

OPERATING YOUR OWN BUSINESS

LESSON PLAN #6

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.06 Develop a layout for a new business

Resources:

1. Information Sheet 6.01 - Developing a Store Layout
2. Assignment Sheet 6.01 - Calculate the Space Required for Given Departments
3. Assignment Sheet 6.02 - Draw a Departmental Layout
4. Transparency Master 6.01 - Possible Store Arrangement
5. Transparency Master 6.02 - Nonselling Activities

Teacher Activities:

1. Hand out Information Sheet 6.01 - Developing a Store Layout
2. Explain Information Sheet 6.01 - Developing a Store Layout
3. Show Transparency Master 6.01 - Possible Store Arrangement
4. Show Transparency Master 6.02 - Nonselling Activities
5. Hand out and work in class Assignment Sheet 6.01 - Calculate the Space Required for Given Departments
6. Hand out Assignment Sheet 6.02 - Draw a Departmental Layout
7. Review material completed during class session.

Student Activities:

1. Read and discuss Information Sheet 6.01 - Developing A Store Layout
2. Complete in class Assignment Sheet 6.01 - Calculate the Space Required for Given Departments
3. View and answer questions asked by instructor

Assignment:

1. Complete Assignment Sheet 6.02 - Draw a Departmental Layout. (Turn in at next class session--will review the following class session.)

INFORMATION SHEET 6.01

Developing a Store Layout

I. Allocating space to departments

  A. Determined by sales per square foot

  B. Determined by model stock plan which involves deciding what prices, types, and sizes of stock to carry in order to meet planned sales

  C. Determined partially by method of sales presentation

    1. Self-service--requires additional space allocated for checkout counters and P.O.P. displays

    2. Full-service--requires space for fitting rooms, mirrors, sales demonstration

II. Nonselling activities for which space must be allocated

  A. Personnel administration

  B. Housekeeping

  C. Receiving and marking

  D. Stock control

  E. Advertising

  F. Accounting

  (NOTE: A store with an annual sales volume of $1 to $2 million has approximately 30 percent of its total area allocated to nonselling activities.)

III. Determining where departments should be located within the store

  A. Department with largest sales volume usually placed in most valuable store area

  B. Impulse items--placed in positions of high traffic

C. Demand items

1. Placed in remote areas of store

2. Used to draw customers past impulse items and circulate them through store

D. Convenience items--placed close to entrances to facilitate ease of purchase

E. Related departments--placed close together

F. Areas of off-setting seasonal needs--placed together

1. Toys and lawn furniture

2. Women's suits and coats and ladies' dresses

G. Departments requiring large floor space--placed to the back, side, or on second floor

H. Merchandise that requires trying on, fitting, or demonstrating--not normally placed in most valuable merchandising areas or near heavy traffic aisles

I. Physical characteristics of some goods dictate placement within firm i.e., draperies located on wall sections

IV. Determining location of nonselling activities within firm

A. Some activities of necessity must be located in particular area

1. Storage for display fixtures near display areas

2. Receiving and marking area close to receiving docks

B. Activities related to sales in particular area place nearby

1. Dressing rooms

2. Alteration rooms

C. Public services facilities placed "at will" within the store

1. Telephones

        2. Check cashing service and accounts receivable window

        3. Toilet facilities

    D. Executive, accounting, and advertising offices usually placed in least valuable areas of store

V. Bases for space allocation to individual items within departments

    A. Sales volume and gross margin contributed by each product

    B. Exceptions to above rule

        1. Items so large and bulky that one of them takes up more space than the rule allows, i.e., stoves

        2. Items with such a high rate of turnover that it is practical to allow them less space than usual and restock more frequently i.e., cigarettes or hosiery

        3. Some items must be carried at a minimum depth to meet customer service requirements, i.e., dental cream

VI. Basis for determining the arrangement of items within the department

    A. Size (generally most important)

    B. Brand or price

    C. Color or style

    (NOTE: A full-range assortment shown in one place permits the customer to select from all colors, prices, and styles.)

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 6.01 (OPTIONAL)

Calculate the Space Required for Given Departments

You are planning to open a new department store with a sales volume expectancy of $2 million a year. Approximately 30 percent of your total store area should be provided for nonselling activities.

Directions: Using the data provided on the chart below, calculate the following:

1. Area allocated to the following departments
   a. Men's clothing__________
   b. Women's dresses_________
   c. Women's coats and suits___________________
   d. Cosmetics and drugs_____
   e. Handbags and small leather goods ______________________
   f. Hosiery____________________
   g. Corsets & brassieres________
   h. Neckware & accessories_____
2. Total store area____________
3. Nonselling area______________
4. Area left for other department or miscellaneous activities ______

Department	Sales per Square Foot of Selling Area by Sales Size of Store (Millions)		Sales % of Department to Sales of Total Store
	$ 2-5	Over $50.	
Men's clothing	102		2.8
Women's dresses	73	84	8.5
Women's coats & suits	94	122	5.3
Cosmetics & drugs	149	139	2.7
Handbags & small leather goods	94	173	1.8
Hosiery	173	271	1.7
Corsets & brassieres	132	138	3.9
Neckware & accessories	96	176	2.1

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 6.01 - KEY

1. a. Men's clothing 549 sq. ft.
   2.8 x $2,000,000 = $56,000 56,000 ÷ 102 = 549 sq. ft.

   b. Women's dresses 2329 sq. ft.
   8.5 x $2,000,000 = $170,000 170,000 ÷ 73 = 2328.7 or 2329 sq. ft.

   c. Women's suits and coats 1128 sq. ft.
   5.3 x $2,000,000 = $106,000 106,000 ÷ 94 = 1127.6 or 1128 sq. ft.

   d. Cosmetics and drugs 362 sq. ft.
   2.7 x $2,000,000 = $54,000 54,000 ÷ 149 = 362.4 or 362 sq. ft.

   e. Handbags and small leather goods 383 sq. ft.
   1.8 x $2,000,000 = $36,000 36,000 ÷ 94 = 382.9 or 383 sq. ft.

   f. Hosiery 197 sq. ft.
   17 x $2,000,000 = $34,000 34,000 ÷ 173 = 196.5 or 197 sq. ft.

   g. Corsets and brassieres 591 sq. ft.
   3.9 x $2,000,000 = $78,000 78,000 ÷ 132 = 590.9 or 591 sq. ft.

   h. Neckware and accessories 438 sq. ft.
   2.1 x $2,000,000 = $42,000 42,000 ÷ 96 = 437.5 or 438 sq. ft.

2. Total store area 20,753 sq. ft.

   5,977 = total sq. ft. of space for departments listed above
   28.8% = total percentage of selling space occupied by above departments
   5,977 = 28.8% of X
   5,977 = 28.8% of 20,753 sq. ft.

3. Nonselling area 6,226 sq. ft.
   30% of 20,753 = 6,226 sq. ft.

4. Area left for other departments or miscellaneous activities 8,550 sq. ft.
   41.2% of 20,753 = 8550.2 or 8550 sq. ft.

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 6.02

Draw a Department Layout

1. Select a specific department that would logically be found in the firm for which you are working or are interested in managing.

2. Make a list of all the types of merchandise that you would include in this department giving approximate quantities of each.

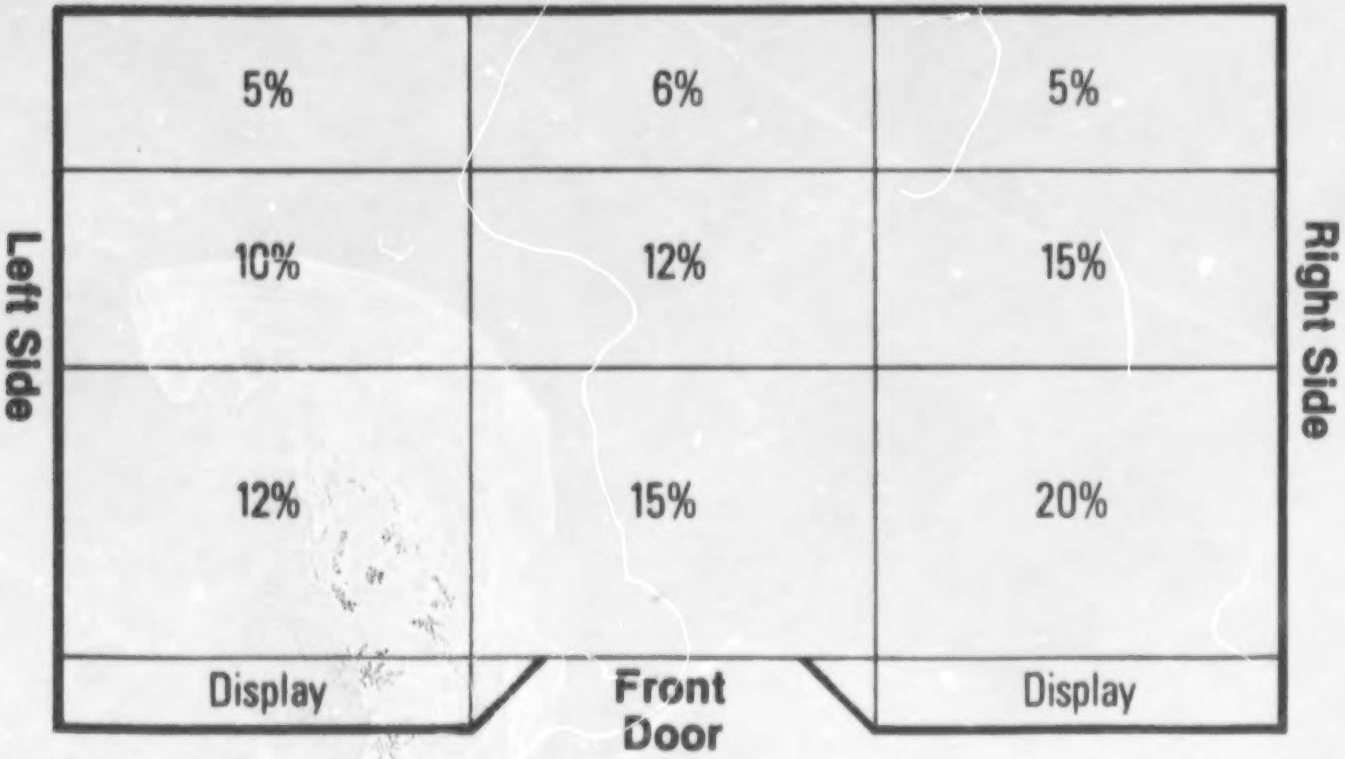
   (NOTE: Your department's buyer or a merchandise supplier may be asked to help you in devising this list.)

3. Decide how you will arrange the stock. By size? Color? Style? Brand? What method have you selected? Explain below.

4. Determine the approximate number of fixtures that you will need to show the merchandise. Explain the type and amount of fixtures needed.

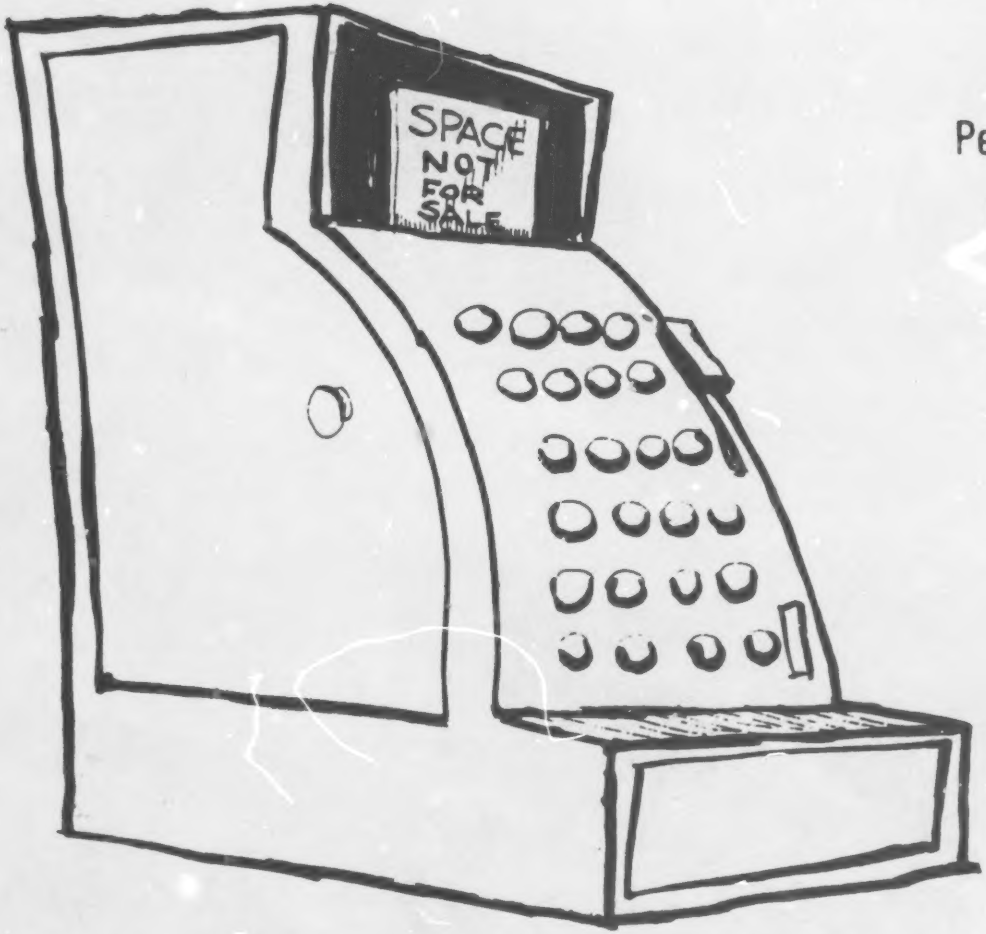
5. Draw to scale a proposed layout for this department.

Possible Store Arrangement


5%
6%
5%
10%
12%
15%
12%
15%
20%
Display
Front Door
Display
Left Side
Right Side

This diagram depicts possible percentages of floor space allocation for various store departments. Note the placement of the higher percentages near the front and on the right-hand side of the store.

Nonselling Activities for Which Space Might be Allocated



Personnel Administration

Receiving and Marking

Stock Control

Housekeeping

Accounting

Advertising

OPERATING YOUR OWN BUSINESS

LESSON PLAN #7

Time for Lesson: 55 minutes

Objectives: Upon completion of this unit the student should be able to:

19.07 Select the equipment needed for a new business.

Resources:

1. Information Sheet 7.01 - Terms and Definitions
2. Information Sheet 7.02 - Equipment and Fixtures
3. Assignment Sheet 7.01 - Equipment and Fixtures
4. Transparency Master 7.01 - Things to Consider When Selecting Equipment

Teacher Activities:

1. Introduce Unit with Transparency Master 7.01 - Things to Consider When Selecting Equipment
2. Pass out and discuss Information Sheet 7.01 - Terms and Definitions
3. Pass out and discuss Information Sheet 7.02 - Equipment and Fixtures
4. Pass out Assignment Sheet 7.01 - Equipment and Fixtures

Student Activites:

1. View and discuss with instructor Transparency Master 7.01 - Things to Consider When Selecting Equipment
2. Read and discuss with instructor Information Sheet 7.01 - Terms and Definitions
3. Read and discuss with instructor Information Sheet 7.02 - Equipment and Fixtures

Assignment:

1. Complete Assignment Sheet 7.01 - Equipment and Fixtures in class.

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 7.01

Terms and Definitions

A. Equipment: The implements used in the operating of a business enterprise

B. Interest charge: A charge for borrowed money or for goods supplied on credit; usually a percentage of the amount borrowed

C. Lease: A contract to use equipment or property without buying the item

(NOTE: A lease is a written statement telling how long a certain property is rented and how much money shall be paid for it.)

D. Maintenance: The upkeep required to keep equipment and fixtures in good working order

E. Store fixtures: The shelving, counters, display racks, storage units and other furniture in a store

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 7.02

Equipment and Fixtures

I. Types of equipment and fixtures that should be included in a total equipment list.

   A. Display, sales, and storage fixtures

   B. Air conditioning, heating, and plumbing fixtures

   C. Lighting fixtures

   D. Customer's convenience equipment such as chairs and shopping carts

   E. Cash registers and/or change-making machines

   F. Scales and measuring equipment

   G. Business machines and office equipment

II. General factors to consider when selecting equipment and fixtures

   A. Flexibility of components

      1. To provide display space at the point of merchandise storage

      2. To permit changes in size or shape of departments

      3. To hold hang rods as well as shelves

   B. Special characteristics of fixtures

      1. Keeps merchandise refrigerated, i.e., dairy items

      2. Protects merchandise from dust or soil, i.e., delicate fabrics

      3. Prevents shoplifting of small or high-priced items

4. Permits unobstructed view of other parts of store to aid in shoplifting prevention

5. Made of metal or plastic instead of wood for lightness and durability

C. Relationship of fixtures to type merchandise carried

D. Uniformity of design

E. Durability and expected life of units

F. Availability of servicing or repairs

G. Initial cash outlay required

III. Most desirable relationship between fixtures and layout

A. Works together to remove barriers and encourage customer circulation

B. Facilitates flow of customers past many departments

C. Concentrates stock in smallest area possible without looking crowded

D. Encourages self-service

E. Provides shopping space where customers can handle and inspect merchandise

F. Facilitates placement of related merchandise lines together to increase suggestion selling

IV. Factors to consider in deciding whether to lease, rent, or purchase fixtures and equipment

A. Amount of working capital available

B. Initial cash outlay

1. Usually 1/4 to 1/3 total cost is required as down payment when purchasing equipment

2. Usually no initial outlay is required when leasing equipment--payments made monthly starting after equipment is delivered

C. Total cost of equipment and fixtures

1. A 4 to 6% interest or finance charge usually added to unpaid balance if equipment is purchased

    2. In the long run, however, it is usually less expensive to purchase than to lease

D. Possibility that lease payments could be applied to purchase price if you later bought the equipment

E. Mainteance cost

    1. Maintenance cost expense included in lease payments

    2. Maintenance costs not included in total price of purchased equipment

F. Possible need to change or update equipment

V. Types of equipment that might normally be rented--those that are only used for a short period of time or are extremely expensive.

A. Long-carriage typewriters to prepare annual reports

B. Additional typewriters and calculators for seasons

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 7.01

Equipment and Fixtures

1. The implements used in the operating of a business are called ______________________________.

2. The shelving, counters, display racks, storage units are called _______________ _______________.

3. List four (4) types of equipment and fixtures that should be included in a total equipment list.

   a.

   b.

   c.

   d.

4. List three (3) factors to consider in deciding whether to lease, rent, or purchase fixtures and equipment.

   a.

   b.

   c.

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 7.01 - KEY

Equipment and Fixtures

1. EQUIPMENT
2. STORE FIXTURES
3. Any of the following:
    - a. Display, sales and storage fixtures
    - b. Air conditioners, heating, and plumbing fixtures
    - c. Lighting fixtures
    - d. Customer's convenience equipment
    - e. Cash registers and/or change making equipment
    - f. Scales and measuring equipment
    - g. Business machines and office equipment
4. Any of the following
    - a. Amount of working capital available
    - b. Initial cash outlay
    - c. Total cost of equipment and fixtures
    - d. Possibility of lease payments being applied to purchase price if you decide later to buy the equipment
    - e. Maintenance cost
    - f. Possible need to change or update equipment

Things to Consider When Selecting Equipment for a New Store

1. Types of equipment and fixtures that should be included in a total equipment list
2. General factors to consider
3. The most desirable relationship needed between fixtures and layout
4. Factors to consider in deciding whether to lease, rent, or purchase fixtures and equipment
5. Types of equipment that might normally be rented

OPERATING YOUR OWN BUSINESS

LESSON PLAN #8 (OPTIONAL)

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.07 Select the equipment needed for a new business.

Resources:

1. Library
2. Information Sheet 7.01 - Terms and Definitions
3. Assignment Sheet 8.01 - Write a Report on Equipment and Fixtures
4. Assignment Sheet 6.02 - Draw a Departmental Layout

Teacher Activities:

1. Pass out and review Information Sheet 7.01 - Terms and Definitions
2. Pass out Assignment Sheet 8.01 - Write a Report on Equipment and Fixtures and discuss and ask for questions.
3. Pass out Assignment Sheet 6.02 - Draw a Departmental Layout to supplement Assignment Sheet 8.01

Student Activities:

1. Review Assignment Sheet 7.01 - Terms and Definitions
2. Review Assignment Sheet 6.02 - Draw a Departmental Layout
3. Complete Assignment Sheet 8.01 - Write a Report on Equipment and Fixtures in library

Assignment:

1. Completion of Assignment Sheet 8.01 - Write a Report on Equipment and Fixtures during class session.

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 8.01 (OPTIONAL)

Write a Report on Equipment and Fixtures

Directions:

1. Using information found in the following lists of trade and manufacturers journals, write a report on the types and amounts of fixtures and equipment needed for a specific type of business.

2. Draw a rough sketch of one department within the firm showing setup and use of proposed equipment.

Sources of help in planning the fixtures needed

A. Manufacturers

1. Storecraft Manufacturing, Beatrice, Nebraska 68310
2. Fix Play, Inc., 2300 First Avenue N., Birmingham, Alabama 35203
3. Selrite, 47 West 34th Street, New York 10001
4. Display World, 458 E. 101 Street, New York 11236
5. Discoveries Incorporates, 100 West Houston Street, New York 10012
6. Austen Display Corporation, 133 West 19th Street, New York 10011
7. Sid Diamond Display Corporation, 379-5th Avenue, New York 10016
8. Trim Corporation of America, 657 Broadway, New York 10016
9. Brunn and Bertheim, Incorporated, 1200 Broadway at 29th Street, New York 10001
10. Central Fixture Manufacturing Company, 3825 Laclede Avenue, St. Louis, Missouri 63108

B. Trade journals

1. "Display World"

   Write: Hal K. Poritz, New York Representative, "Display World," 140 W. 5th Street, New York 10019

   Or: "Display World," Service Bureau, 407 Gilbert Avenue, Cincinnati, Ohio 45202 (for reprints of specific articles relating to fixtures for the type business in which you are interested)

2. "Progressive Grocer," 420 Lexington Avenue, New York 17, New York

3. "Variety Merchandiser"

   Write: Merchandise Publications Co., Inc., 419 Park Avenue South, New York 10016

4. "Chain Store Age"

   Write: Ben Gordon, Editor, Lebhar, Friedman Publications, Inc., 2 Park Avenue, New York 10016

5. "Department Store Management"

   Write: Concept Publication Corporation, 60 E. 42nd Street, New York 10017

C. Other sources

1. Trade papers

2. Sales representatives

3. Directories

LESSON PLAN #9

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.08 Select the merchandise needed for a new business.

Resources:

1. Information Sheet 9.01 - Terms and Definitions
2. Information Sheet 9.02 - Merchandise and Budget Planning
3. Assignment Sheet 9.01 - Cryptogram
4. Assignment Sheet 9.02 - Determine Basic Merchandise Policies

Teacher Activities:

1. Pass out Information Sheet 9.01 - Terms and Definitions. Have students read and discuss.
2. Pass out Assignment Sheet 9.01 - Cryptogram. Have students complete.
3. Pass out, have students read, then discuss with students Information Sheet 9.01 - Merchandise and Budget Planning
4. Review class materials covered by either listing major topics discussed on chalkboard; or show teacher-made transparency of major topics discussed.
5. Pass out Assignment Sheet 9.02 - Determine Basic Merchandising Policies. Discuss assignment before letting students begin. (Assignment to be completed in class.)

Student Activities:

1. Read and discuss Information Sheet 9.01 - Terms and Definitions
2. Complete Assignment Sheet 9.01 - Cryptogram

3. Develop sentences using terms from Information Sheet 9.01 - Terms and Definitions

4. Discuss Information Sheet 9.02 - Merchandise and Budget Planning with instructor.

5. Form into groups and carry out Assignment Sheet 9.02 - Determine Basic Merchandise Policies

Assignment:

1. Instructor may choose to review with students all material covered thus far on unit for evlauation exam to be given later

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 9.01

Terms and Definitions

A. Assortment: the range or prices, styles, colors, patterns or brands of an item carried in stock

B. Basic stock list: an assortment plan for "staple" merchandise to be kept in stock continuously

C. Best sellers or key items: those items within any class of goods that account for a large proportion of the total sales volume

D. Breadth: the number of different items of one kind carried to provide variety of selection

E. Merchandise budget plan: a blueprint of specific merchandise activities, expressed in dollars, for a given period of time

F. Minimum stock: the quantity of merchandise below which inventory should not be allowed to drop; basic low stock plus a cushion

G. Model stock: an outline of the compositon of an ideal stock expressed in terms of general characteristics or assortment factors, i.e., types of items, price lines, sizes, colors, and materials

H. Never out list: a list of a store's or a department's key items (best sellers) which should be kept in stock at all times

I. Shopping goods: those items for which a variety of specific styles can be substituted for each other

J. Stock depth: the number or quantity of items carried in a specific style or model

K. Stock turnover: the number of times an average inventory will be sold and replaced during a given period

L. Variety: the number of different kinds or classifications of merchandise carried, i.e., shoes, dresses, and accessories

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 9.02

Merchandise and Budget Planning

I. Reasons merchandise planning is necessary

(NOTE: Merchandise assortments comprise a major aspect of competitive strategy.)

- A. Provides data by which needed merchandise can be determined
  - 1. Appropriate balance and assortment of stock
  - 2. Type and quantity merchandise desired
- B. Allows for minimum dollar investment in inventory
- C. Reduces losses due to over-or-under buying
- D. Provides basis on which operating efficiency of departments may be evaluated

II. Store policies that must be decided before stock can be planned

- A. Type customer desired
- B. Store's objectives
- C. Personality of store
- D. Variety and nature of merchandise to be handled
- E. Price lines to be carried
- F. Number of brands, styles, or models to be carried
- G. Quality of merchandise to be carried
- H. Number of sizes to be carried

  (NOTE: About one-half the failures in shoe store operations can be attributed to the fact that too many sizes were handled.)

III. Factors to be considered in determining the budget plan for a business

  A. Planned or expected sales volume

  B. Economic conditions of community

  C. Competitive conditions

  D. Pricing and credit policies

  E. Consumer buying habits

  F. Season of the year

IV. Source of information for merchandise and budget planning

  A. Agencies

    1. Harvard Graduate School of Business

    2. Federal Reserve Banks

    3. Controllers' Congress of National Retail Merchants Association

  B. Publications

    1. Survey of Current Business

    2. Departmental Merchandising and Operating Results

    3. Department Store Economists

    4. Business Week

    5. Hardware Age

    6. Others

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 9.01

Cryptogram

S	A	D	C	A	B	A	S	I	C	S	T	O	C	K	L	I	S	T	K	U	V
H	B	B	D	E	C	F	U	K	I	V	O	W	R	V	S	P	T	T	I	W	O
O	E	C	E	B	Z	T	Y	S	A	R	X	Q	W	P	V	U	O	T	S	R	P
P	G	F	H	I	G	F	L	O	R	M	P	R	Q	T	S	V	C	W	A	R	J
P	I	K	E	A	S	S	O	R	T	M	E	N	T	M	O	R	K	E	T	H	A
I	I	H	N	T	R	H	E	G	R	O	E	A	S	O	T	E	T	S	T	L	O
N	V	E	I	T	E	H	W	R	L	D	H	N	A	S	K	N	U	O	W	N	T
G	H	I	S	J	L	T	H	K	E	E	L	F	G	O	I	V	R	Y	E	U	O
G	T	A	O	A	L	I	L	P	E	L	R	X	R	C	A	O	N	P	R	Y	H
O	I	T	A	M	E	C	A	M	D	S	C	A	Y	B	A	S	O	B	B	D	E
O	C	F	U	R	S	I	V	O	W	T	R	Z	V	S	V	A	V	I	E	T	Y
D	P	T	I	W	T	O	E	C	E	O	B	Z	T	V	S	A	E	R	X	Q	W
S	P	V	U	O	S	T	S	R	P	C	G	F	H	I	G	F	R	L	O	N	M
P	R	Q	T	S	E	V	C	W	A	K	R	P	I	A	K	E	S	M	O	K	T
H	A	I	H	N	B	T	R	H	E	G	R	O	E	A	N	S	O	T	E	R	S
M	E	R	C	H	A	N	D	I	S	E	B	U	D	G	E	T	P	L	A	N	D
I	T	L	O	R	J	T	H	K	E	L	I	G	R	A	V	L	S	K	R	J	B
N	H	S	J	T	H	L	D	S	O	T	V	O	P	D	E	R	I	K	L	S	P
I	R	I	P	J	U	D	F	O	R	C	I	P	L	M	R	J	A	C	E	G	T
M	S	E	R	A	C	E	G	I	K	M	O	Q	S	U	O	W	Y	A	C	E	G
U	O	V	D	B	D	F	H	J	U	N	P	R	T	W	U	X	Z	B	D	F	H
M	I	K	M	O	Q	S	U	W	Z	M	O	Q	S	U	T	A	O	E	G	I	K
S	J	L	N	P	R	T	V	X	Y	N	P	V	T	W	L	B	D	F	N	J	L
T	B	R	E	A	D	T	H	R	U	W	O	R	T	W	I	T	A	C	G	T	E
O	Q	W	E	R	T	Y	U	I	O	P	L	K	J	H	S	F	D	S	A	Z	C
C	P	L	O	K	I	J	U	H	Y	G	T	F	R	D	T	E	S	W	A	Q	X
K	E	Y	I	T	E	M	S	Q	A	Z	W	S	X	E	D	C	R	F	V	T	G
Q	W	E	R	T	Y	U	I	O	P	A	D	S	T	O	C	K	D	E	P	T	H

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 9.01 - KEY

Cryptogram

S	A	D	C	A	B	A	S	I	C	S	T	O	C	K	L	I	S	T	K	U	V
H	B	B	D	E	C	F	U	K	I	V	O	W	R	V	S	P	T	T	I	W	O
O	E	C	E	B	Z	T	Y	S	A	R	X	Q	W	P	V	U	O	T	S	R	P
P	G	F	H	I	G	F	L	O	R	M	P	R	Q	T	S	V	C	W	A	R	J
P	I	K	E	A	S	S	O	R	T	M	E	N	T	M	O	R	K	E	T	H	A
I	I	H	N	T	R	H	E	G	R	O	E	A	S	O	T	E	T	S	T	L	O
N	V	E	I	T	E	H	W	R	L	D	H	N	A	S	K	N	U	O	W	N	T
G	H	I	S	J	L	T	H	K	E	E	L	F	G	O	I	V	R	Y	E	U	O
G	T	A	O	A	L	I	L	P	E	L	R	X	R	C	A	O	N	P	R	Y	H
O	I	T	A	M	E	C	A	M	D	S	C	A	Y	B	A	S	O	B	B	D	E
O	C	F	U	R	S	I	V	O	W	T	R	Z	V	S	V	A	V	I	E	T	Y
D	P	T	I	W	T	O	E	C	E	O	B	Z	T	V	S	A	E	R	X	Q	W
S	P	V	U	O	S	T	S	R	P	C	G	F	H	I	G	F	R	L	O	N	M
P	R	Q	T	S	E	V	C	W	A	K	R	P	I	A	K	E	S	M	O	K	T
H	A	I	H	N	B	T	R	H	E	G	R	O	E	A	N	S	O	T	E	R	S
M	E	R	C	H	A	N	D	I	S	E	B	U	D	G	E	T	P	L	A	N	D
I	T	L	O	R	J	T	H	K	E	L	I	G	R	A	V	L	S	K	R	J	B
N	H	S	J	T	H	L	D	S	O	T	V	O	P	D	E	R	I	K	L	S	P
I	R	I	P	J	U	D	F	O	R	C	I	P	L	M	R	J	A	C	E	G	T
M	S	E	R	A	C	E	G	I	K	M	O	Q	S	U	O	W	Y	A	C	E	G
U	O	V	D	B	D	F	H	J	U	N	P	R	T	W	U	X	Z	B	D	F	H
M	I	K	M	O	Q	S	U	W	Z	M	O	Q	S	U	T	A	O	E	G	I	K
S	J	L	N	P	R	T	V	X	Y	N	P	V	T	W	L	B	D	F	N	J	L
T	B	R	E	A	D	T	H	R	U	W	O	R	T	W	I	T	A	C	G	T	E
O	Q	W	E	R	T	Y	U	I	O	P	L	K	J	H	S	F	D	S	A	Z	C
C	P	L	O	K	I	J	U	H	Y	G	T	F	R	D	T	E	S	W	A	Q	X
K	E	Y	I	T	E	M	S	Q	A	Z	W	S	X	E	D	C	R	F	V	T	G
Q	W	E	R	T	Y	U	I	O	P	A	D	S	T	O	C	K	D	E	P	T	H

ASSIGNMENT SHEET 9.02

Determine Basic Merchandise Policies

To be done in class

1. Divide into groups of three to five students per group. Group members should be chosen on basis of similarity in the type business each hopes to own or manage.

2. Select a group reporter to take notes and write a final report on the decisions of the group.

3. Discuss the policies you would adopt if you owned or managed a particular type of business. Basic policies should be determined for each item listed in Section III of the information sheets.

4. Have reporter write a report outlining the basic policies on which the group has decided.

OPERATING YOUR OWN BUSINESS

LESSON PLAN #10

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.08 Select the merchandise needed for a new business.

Resources:

1. Information Sheet 10.01 - Merchandise Planning
2. Transparency Master 10.01 - Shopping Goods
3. Transparency Master 10.02 - Staple Merchandise

Teacher Activities:

1. Pass out, have students read and then discuss Information Sheet 10.01 - Merchandise Planning

   (SUGGESTION: Depending on class time and teacher's manner of instruction - develop problems for students to work as groups and as individuals using all methods covered in Information Sheet 10.01.)

2. Show and discuss with students Transparency Master 10.01 - Shopping Goods
3. Show and discuss with students Transparency Master 10.02 - Staple Merchandise
4. Discuss differences in types of goods with students.

Student Activities:

1. Read and discuss with instructor Information Sheet 10.01 - Merchandise Planning.
2. Discuss with instructor Transparency Master 10.01 - Shopping Goods and Transparency Master 10.02 - Staple Merchandise

Assignment:

1. Teacher developed problems in selecting merchandise

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 10.01

Merchandise Planning

I. Elements of the merchandise plan and tools used in their construction

   A. Planned sales

   B. Planned stock

      1. As determined by stock-sales ratio which shows the relationship between stock on hand at a given period in terms of retail sales for that period.

      2. As determined by stock turnover which is the number of times a quantity of stock, or inventory, is turned into sales during a period of time.

   C. Planned markdowns and reductions

      1. Retail Business Management, Hecht, pg. 228.

      2. Retailing Principles Practices, Richert, Meyer, Haines, Harris, pg. 435.

   D. Planned purchases

   E. Open-to-buy--the calculation of the amount of stock that can be received by a business during a given period without exceeding the planned closing stock level at the end of the period.

   F. Planned markup

II. Methods of planning stock composition and their uses

   A. Model stock plan--used for shopping goods (TM 1)

      1. Suited particularly to the following items:

Furniture
Bedding
Curtains and draperies
Lamps
Clothing
Shoes
Underwear
Handbags
Costume jewelry
Other accessories
Linens
Towels
Yard goods
Gifts

(NOTE: Items are not planned by specific style numbers but rather in terms of type, size, color, or price line.)

B. Basic stock lists--used for staple merchandise (TM 2)

Books
Stationery
Luggage
Corsets
Hosiery
Silverware
Chinaware
Glassware
Hardware
Appliances
Television and radio
Sporting Goods
Groceries
Cameras
Toiletries
Notions

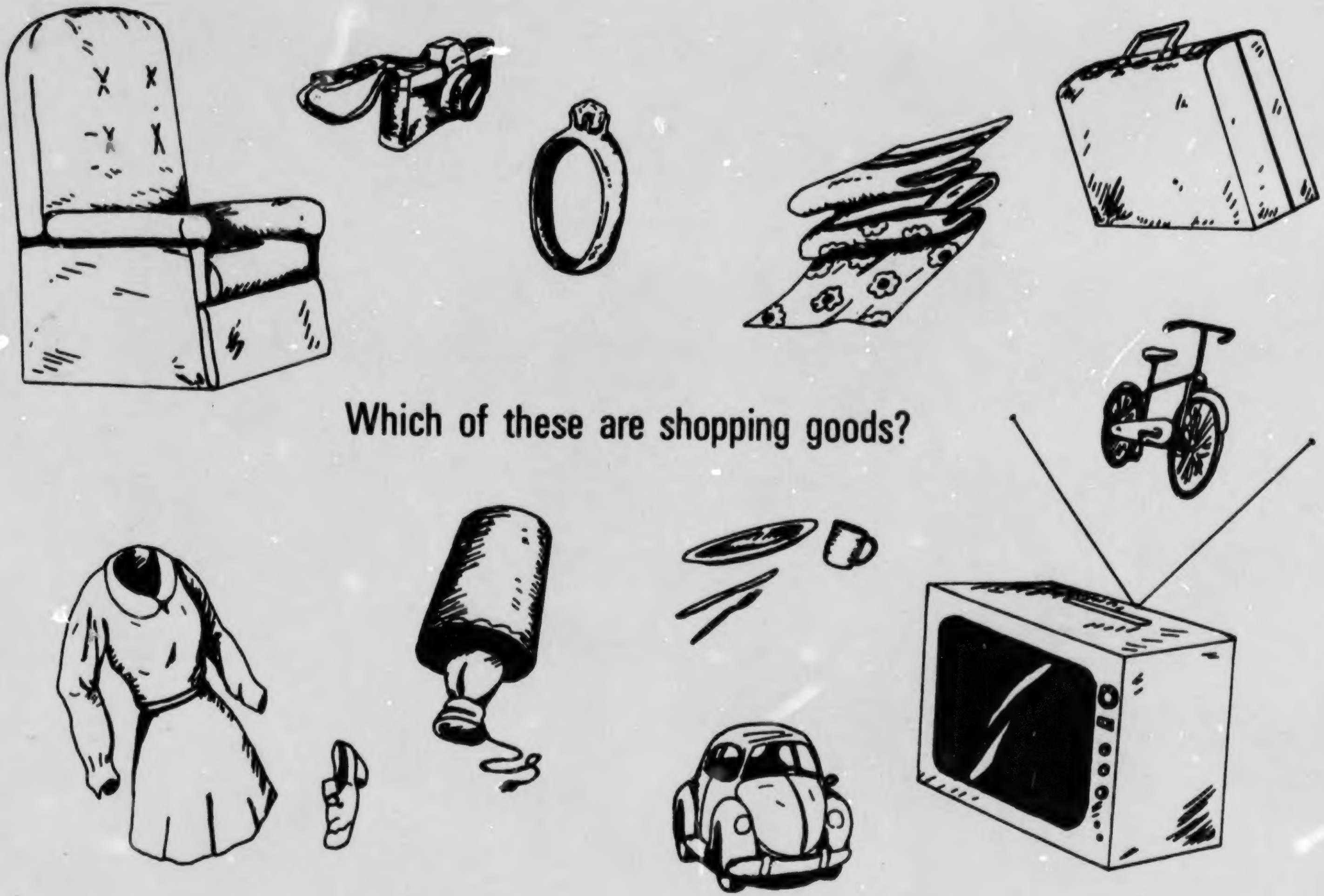
C. Never-out lists--used to indicate best selling items in the basic planned assortments

D. Seasonal merchandise

1. Fashion items planned only in terms of general assortment factors, i.e., type, size, price range

2. Stock depth for each assortment factor established on basis of planned sales--planned by size and price line

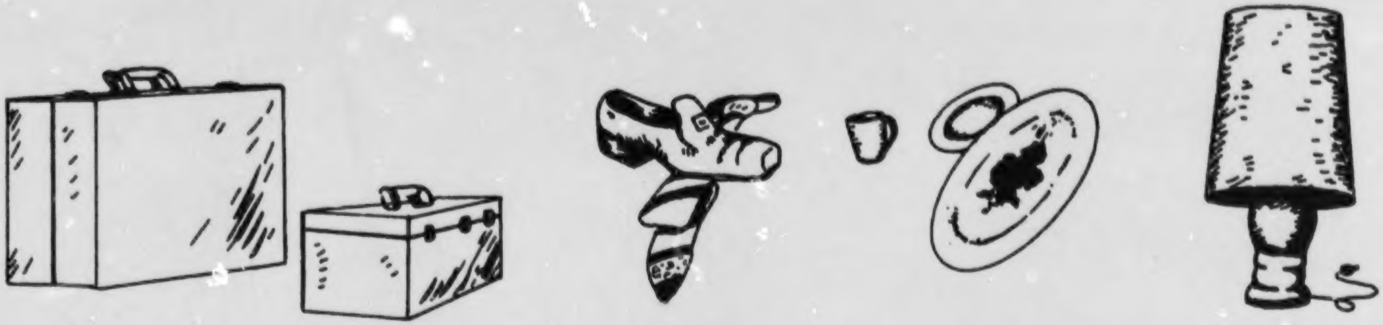
Shopping Goods



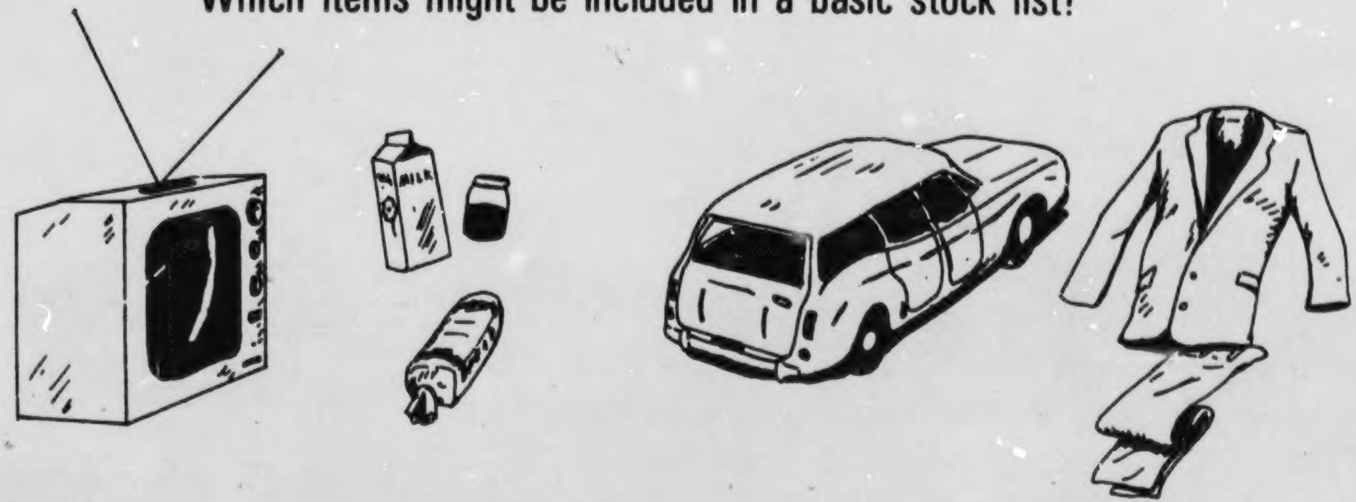
Which of these are shopping goods?

TM-10.01

Staple Merchandise



Which items might be included in a basic stock list?



LESSON PLAN #11 (OPTIONAL)

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.08 Select the merchandise needed for a new business.

Resources:

1. Information Sheet 11.01 - Merchandise Budget Information #1
2. Information Sheet 11.02 - Merchandise Budget Information #2
3. Information Sheet 11.03 - Merchandise Budget Information #3
4. Assignment Sheet 11.01 - Develop a Merchandise Budget

Teacher Activities:

1. Handout Information Sheet 11.01 - Merchandise Budget Information #1
2. Handout Information Sheet 11.02 - Merchandise Budget Information #2
3. Handout Information Sheet 11.03 - Merchandise Budget Information #3
4. Handout Assignment Sheet 11.01 - Develop a Merchandise Budget
5. Discuss Assignment Sheet 11.01 - Develop a Merchandise Budget
6. Have students complete Assignment Sheet 11.01 by the next day.

Student Activities:

1. Start on Assignment Sheet 11.01 - Develop a Merchandise Budget

2. Complete Assignment Sheet 11.01 - Develop a Merchandise Budget by the next day.

Assignment:

1. None

MERCHANDISE BUDGET INFORMATION #1

SALES DATA

INVENTORY AND EXPENSE DATA

DEPARTMENTS	Sales % Of Last Year	Sales % Of Total Store	Newspaper Space Cost % of Total Company Newspaper Space Cost	Dollar Sales Per Sq. Ft. Of Selling Space	Stock Turns Based on Average Monthly Stocks	% of Stock Less Than 6 Months Old	Newspaper Costs % of Sales	Salespeople's Salaries % of Sales
Household Textiles	99	3.2	4.0	75	2.1	71	2.4	9.4
Notions	107	1.3	1.7	37	1.9	71	2.5	9.6
Jewelry	102	1.5	1.9	91	2.5	67	2.4	12.0
Corsets and Brassieres	101	3.9	3.9	128	1.8	70	1.9	8.5
Hosiery	108	1.7	2.3	120	2.8	81	2.6	9.6
Dresses	117	8.5	10.2	82	3.6	94	2.3	8.5
Infant's Apparel and Furniture	101	3.7	•	57	2.3	71	•	•
Girls' and Teen-agers' Wear	105	5.0	7.6	58	1.9	67	2.6	10.7
Men's Furnishings	103	7.8	9.0	91	2.4	58	2.1	77.8
Curtains and Draperies	101	1.6	•	41	2.5	50	•	•

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Information Sheet 11.01

MERCHANDISE BUDGET INFORMATION #2

DEPARTMENTS	Cumulative Markon %	Markdowns (At Retail) % of Sales	Shortage (At Retail) % of Sales	Cash Discounts Earned % of Sales	Gross Margin % of Sales (Incl. Cash Discount)	Gross Margin Return Per $ Of Cost Inventory (Dollars)
Household Textiles	39.6	7.6	1.3	1.1	35.4	1.23
Notions	41.9	3.5	1.0	1.1	40.5	1.36
Jewelry	47.0	8.0	4.0	1.4	42.4	1.47
Corsets and Brassieres	42.5	4.5	2.0	4.3	42.4	1.24
Hosiery	41.3	4.6	1.9	0.4	39.7	1.75
Dresses	42.9	14.7	1.8	5.2	37.7	2.17
Infants' Apparel and Furniture	39.5	8.8	2.4	3.0	36.8	1.22
Girls' and Teen-agers' Wear	40.4	13.7	2.4	3.8	34.6	1.04
Men's Furnishings	41.7	6.0	1.1	1.0	36.9	1.36
Curtains and Draperies	42.0					1.44

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Information Sheet T1.02

Merchandise Budget Information #3

Department ______ No. ______

SIX MONTHS MERCHANDISE FORM

Fall Season 19-

GROSS MARGIN	Plan. This Yr.	Actual Last Yr.
GROSS MARGIN $		
Cash Discount to Pur.		
Charges to Cost of Mdse.		
Allowable Mark Downs		
Shortage Reserve		

SEASON TURNOVER Last Yr. Plan This Yr.			FEB.	MAR.	APR.	MAY	JUNE	JULY	TOTAL
SALES	Last Year								
	Plan								
	Adjusted Plan								
	Actual								
RETAIL STOCK 1st OF MONTH	Last Year								
	Plan								
	Adjusted Plan								
	Actual								
PLANNED ALLOWABLE MARKDOWNS	Last Year	Markdown							
	Plan Allow.	Markdown							
	Actual Month	Markdown							
	Actual Agg.	Markdown							
RETAIL PURCHASES	Last Year								
	Plan								
	Adjusted Plan								
	Actual								
MARKUP ON PURCHASES	Last Year								
	Plan								
	Actual (Month)								
	Actual (agg.)								

*Represents Stock End of Month

______ Mdse. Mgr.

______ Div. Mgr.

______ Buyer

Remarks:

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 11.01

Develop a Merchandise Budget

1. Assume that you own or manage a newly established department store with an annual sales volume of $600,000.

2. Select one of the following merchandise departments and make a six-month merchandise plan for that department. Circle the number preceding the department you have selected.

   a. Household textiles
   b. Notions
   c. Jewelry
   d. Corsets and brassieres
   e. Dresses
   f. Infants' apparel and furniture
   g. Girls' and teen-agers' wear
   h. Men's furnishings
   i. Curtains and draperies

3. Determine the planned sales for the year for the department you have selected.

   a. Multiply the total sales figures of the department store by the sales % of that department. (See "Sales % of Total Store" on the chart provided.)

   b. Example:

   Hosiery department sales = 1.7% of total store's sales

$ 600,000	annual store sales
x .017	department sales
4200000	
600000	
$ 10200.000	annual departmental sales

   c. Consider business and economic trends and adjust your (above) departmental sales figures for last year accordingly (See column "Sales % of Last Year" on the chart provided.)

   d. Example:

   Hosiery sales for this year were 108% on the sales for the same period the previous year.

$ 10,000	Last year's departmental sales
x 1.08	Expected increase in sales for this year
80000	
100000	
$10,800.00	Planned sales for this year

4. Determine planned monthly sales for February through July.

    a. Use department's % of sales for each month to determine this. (See "Percent of Department's Annual Sales" chart.)

    b. Example:

$ 11,016	Planned annual sales for Hosiery Department
x .063	
33048	
65096	
$694.008	Planned sales for February

5. Determine planned stocks for February through July.

    a. Multiply planned sales for each month by the appropriate stock-sales ratio for that month.

    b. Example:

$ 694	Planned sales for February
x 4.5	Stock-sales ratio for February
3470	
2776	
$3123.00	Planned stocks for February

    c. Enter monthly planned stocks under the appropriate columns on the "Six-month Merchandise Plan."

    (NOTE: At this point you would normally determine planned markdowns and reductions for each month. However, it would be very difficult to distribute markdowns effectively over the six-month period without having actually worked with the merchandise being planned.)

6. Determine planned purchases for the months of February through July.

    a. Planned purchases = planned sales + increase (or - decrease) in the dollar level of planned stock for the beginning of the two months.

b. Example:

Hosiery department has planned sales of $694 for February. Planned stocks for the beginning of February are $3,118.50 and $4,620 for March.

$ 694.00	Planned sales for February
+1502.00	Difference between planned stocks for February and March
$2196.00	Planned purchases for February

c. Enter the monthly planned purchases under the appropriate columns on the "Six-month Merchandise Plan."

7. Determine the planned markup for the following information:

Estimated expenses = 35% of planned sales
Markdowns = 5%
Desired net profit = 5%

a. Example:

Planned sales for year (hosiery)	$11,000	
Estimated expenses	35%	$3,850
Markdowns	5%	550
Desired net profit	5%	+ 550
Cumulative markup in dollars		$4,950

b. Find the cumulative markup %

c. Formula:

$$\frac{\text{Expenses + profits = reductions}}{\text{Sales + reductions}} = \text{Markup \%}$$

d. Example:

$$\frac{\$3850 + \$550 + \$550}{\$11000 + \$550} = \text{Markup \%}$$

$$\frac{\$\ 4950}{\$11,550} = .427 \text{ or } 43\% \text{ Planned markup}$$

e. Enter your Planned Markup figures in the appropriate columns on the "Six-month Merchandise Plan."

8. You should have not completed the six-month merchandise plan (Budget). Remember that the success of any merchandise plan depends on the planner's ability to analyze past plans and obtained figures and avoid past errors.

ASSIGNMENT SHEET 11.01 - KEY

Develop a Merchandise Budget

1. No answer required

2. Student may have selected any one of the nine merchandise departments.

3. a.

Department	Yearly Planned Sales
Textiles	$19,200
Notions	7,800
Jewelry	9,000
Corsets	23,000
Dresses	51,000
Infants'	22,200
Girls'	30,000
Men's	46,800
Curtains	9,600

(NOTE: Total store sales per year x departments sales % of total store.)

b. No answer required

c.

Department	Adjusted Yearly Planned Sales
Textiles	$19,008
Notions	8,346
Jewelry	9,180
Corsets	23,634
Dresses	59,670
Infants'	22,422
Girls'	31,500
Men's	48,204
Curtains	9,696

(NOTE: Yearly sales of department x sales % of last year)

d. No answer required

4. a. Planned Monthly Sales

Department	Feb.	March	April	May	June	July
Textiles	$ 931	$ 950	$1,140	$1,502	$1,654	$1,768
Notions	501	751	634	668	643	634
Jewelry	468	679	569	854	698	532
Corsets	1,442	1,891	1,796	2,033	2,198	1,891
Dresses	3,222	5,430	5,549	6,086	5,549	4,714
Infants'	1,480	2,130	1,592	1,525	1,547	1,413
Girls'	1,796	2,678	1,985	1,922	2,111	1,174
Men's	2,121	2,507	2,796	3,133	4,387	3,085
Curtains	591	679	708	795	834	727

(NOTE: Yearly planned sales for department x % of sales for each month, February through July)

b. No answer required

c. To be completed to the satisfaction of the DE teacher-coordinator

(NOTE: Monthly planned stocks x monthly stock-sales ratios)

5. a.

Department	Feb.	March	April	May	June	July
Textiles	$ 8,100	$ 9,975	$11,400	$10,514	$ 9,759	$10,962
Notions	3,507	5,032	4,993	4,208	5,728	6,467
Jewelry	2,668	3,667	4,211	4,612	4,328	4,203
Corsets	10,959	13,048	12,752	13,824	13,188	13,426
Dresses	10,633	14,118	15,537	14,606	16,092	13,671
Infants'	8,140	9,159	10,666	10,218	11,293	11,304
Girls'	10,237	11,248	15,682	14,233	16,255	14,783
Men's	19,937	22,312	23,486	25,690	26,760	26,840
Curtains	5,738	7,537	8,567	7,632	6,589	7,415

b. No answer required

c. To be completed to the satisfaction of the DE teacher-coordinator.

(NOTE: Monthly planned stocks x monthly stock-sales ratios.)

6. a.

Department	Planned Monthly Sales Feb.	March	April	May	June
Textiles	$ 2,806	$ 2,375	$ 254	$ 747	$2,857
Notions	2,026	712	101	2,188	1,382
Jewelry	1,467	1,223	970	570	573
Corsets	3,531	1,595	2,868	1,397	2,436
Dresses	6,707	6,849	4,618	7,572	3,128
Infants'	2,499	3,637	1,144	2,600	1,158
Girls'	2,807	7,112	526	3,954	639
Men's	4,496	3,681	5,000	4,203	4,467
Curtains	2,750	1,709	-227	-248	1,660

(NOTE: Planned sales for month and increase or - decrease in dollar level of planned stock for B. O. M. of the two months.)

b. No answer required

7.

Department	Cumulative Markup
Textiles	$ 8,553
Notions	3,755
Jewelry	4,149
Corsets	10,636
Dresses	26,853
Infants'	10,090
Girls'	14,175
Men's	21,691
Curtains	4,364

(NOTE: Yearly planned sales x % estimated expenses + % markdowns + % desired net profit)

8. All answers should round off to 43%

(NOTE: Cumulative $ markup ÷ sales + reductions)

Answers should be entered in the appropriate columns of the "Six-month Merchandise Plan Form."

LESSON PLAN #12 (OPTIONAL)

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.08 Select the merchandise needed for a new business

Resources:

1. Assignment Sheet 12.01 - Solve Merchandise Planning Problems
2. Assignment Sheet 12.02 - Develop a Model Stock Plan

Teacher Activities:

1. Pass out and discuss Assignment Sheet 12.01 - Solve Merchandise Planning Problems
2. Have students complete Assignment Sheet 12.01 - Solve Merchandise Planning Problems
3. Pass out Assignment Sheet 12.02 - Develop a Model Stock Plan to be turned in the next day.

Student Activities:

1. Complete Assignment Sheet 12.01 - Solve Merchandise Planning Problems
2. Pick up Assignment Sheet 12.02 - Develop a Model Stock Plan

Assignments:

1. Complete Assignment Sheet 12.02 - Develop a Model Stock Plan and turn in the next day

ASSIGNMENT SHEET 12.01

Solve Merchandise Planning Problems

Direction: Solve the following problems showing all work.

1. If Mrs. Jones has a lingerie department with planned sales of $9,000 for July, and a stock-sales ratio of 2, what should her planned stocks be for that month?

2. The hardware department of GRUBBY'S MART has planned sales of $30,000 for June, and B. O. M. stock of $25,000 and E. O. M. stock of $15,000, and $10,000 of merchandise on order for June. What is that department's open-to-buy?

3. If department XYZ had planned sales of $60,000 and an average stock of $10,000, what would be the rate of stock turn?

4. If a produce department had a 7.3 rate of stock turn and an average stock of $20,000, what would be the dollar value of planned purchases for that period?

5. Find the $ markup for a children's department with the following planned figures:

Planned markdowns = 4.3%
Planned discounts = 2%
Planned expenses for season = 34%
Planned sales for season = $28,000
Planned advertising expenses = 5%
Desired net profit = 7%

6. Find the percentage markup for the above problem.

7. Mr. Markus desires a stock turn of 4 for his sporting goods department. If his planned sales for the period are $48,640, what should his average inventory for the period be?

8. If the desired stock sales ratio for piece goods was 6 and planned sales for the period was $29,000, what should planned stocks be?

9. Judy Carlson, cosmetics buyer, has planned sales of $74,000 for the months of November and December. If she has planned stocks of $185,000 for the same period, what would be the stock sales ratio for that department?

10. Find the minimum stock and the maximum operating stock in the following situation.

A specific line of greeting cards has a basic low stock of 4 units. It takes 2 weeks for delivery and a reorder count is taken once per week. Sales for the week are usually 6 units and the buyer feels that a cushion equal to one week's sales is desirable.

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 12.01 - KEY

Solve Merchandise Planning Problems

1. $9000 x 2 = $18,000 Planned stocks

2. EMO Stock + Planned sales - BOM stock = Planned purchases
   $15,000 + $30,000 - $25,000 = $20,000

   Planned purchases - Merchandise on order = OTB
   $20,000 - $10,000 = $10,000 OTB

3. $60,000 ÷ 10,000 = 6

4. $20,000 x 7.3 = $146,000

5.

Planned sales	$28,000	
Estimated expenses Markdowns Discounts Desired net profit	34% 4.3% 2% 7%	$9,520 1,204 560 1,960
Cumulative markup in dollars		$13,244

6. $\frac{9{,}520 + 1{,}960 + 1{,}764}{\$28{,}000 + 1{,}764} = \frac{13{,}244}{29{,}764} = 44\%$

7. $48,640 ÷ 4 = $12,160

8. $29,000 x 6 = $174,000

9. $185,000 ÷ $74,000 = 2.5

10. Basic low stock = 4
    Cushion (1 week's sales) = 6 10 units minimum stock

    Reorder interval 6 18 units
    Delivery time 12 28 units maximum operating stock

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 12.02

Develop a Model Stock Plan

Directions:

A. Select one item such as men's briefs, towels, or lamps.

B. Determine the basic assortment factors for that item--those customer-attracting features of the merchandise. List them on a separate sheet of paper.

Example for towels:

Primary classification - type

Matching towel ensembles	45%
Gift sets (boxed)	25%
Beach towels	5%
Finger tips	7%
Washcloths	10%
Promotional towels	8%

Secondary classification - design

Border towels	15%
Velvet plains	50%
Jacquard	10%
Misc. patterns	25%

Other classifications

Color, size, and price line

C. Determine the stock depth for any two major customer attracting features (as shown above by percentage figures)

D. Decide on a merchandise budget for that item for a 3-month period. Also, decide on an average sales figure for the type merchandise selected.

E. Divide the average sales figure into the total budget figure to arrive at an approximate unit figure for the period.

F. Find the unit figure for each item under one of the major classifications by multiplying the total unit figure by the percentage figure for that item.

(NOTE: Remember that the more assortment factors planned, the more complicated the model stock plan becomes. But, the more assortment factors you plan, the better your chances for having balanced stocks and for meeting customer demands.)

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 12.02 - KEY

Develop a Model Stock Plan

Answers to be determined at instructor's own discretion.

OPERATING YOUR OWN BUSINESS

LESSON PLAN #13

Time for Lesson: 55 minutes

Objectives: TEST

Resources: Assessment for Objectives 19.01 - 19.08

Teacher Activities:

1. Pass out, ask for any questions, and take up test when completed by students.

Student Activities:

1. Complete and turn in test.

Assignment:

1. None

OPERATING YOUR OWN BUSINESS

ASSESSMENT 13.01

Directions: Select the correct answer for each response by drawing a circle around T (true) or F (false).

T F 1. A rack-jobber is a kind of wholesaler most commonly found in grocery stores who sell both nonfood and food items to retailers.

T F 2. A corporate form of business organization is financed by the sale of stock.

T F 3. The four elements of the marketing mix are price, product, place, and planning.

T F 4. A plaza is a group of commercial establishments which are planned, developed and managed as an unit with off-street parking.

T F 5. An automobile showroom or funeral home is usually found in a secondary business district.

T F 6. A common error made in selecting a business location is basing selection on cost rather than suitability.

T F 7. A free-flow merchandise pattern is a rectangular arrangement of fixtures and aisles in a more or less repetitive pattern.

T F 8. A model stock plan involves deciding what prices, types, and sizes of stock to carry in order to meet planned sales.

T F 9. Impulse items should be placed in store areas where there is less traffic.

T F 10. A lease is a contract to use equipment or property without buying the item.

T F 11. The shelving, counters, display racks, and storage units are called merchandising equipment.

T F 12. Breadth is the number of different items of one kind carried to provide variety of selection.

T F 13. A basic stock list is an assortment plan for "fashion" merchandise to be kept in stock continuously.

T F 14. Consumer buying habits and competitive conditions are common factors to be considered in determining the budget plan for a business.

T F 15. A stock sales ratio shows the relationship between stock on hand at a given period in terms of retail sales for that period.

OPERATING YOUR OWN BUSINESS

ASSESSMENT 13.01 - KEY

1. F
2. T
3. F
4. T
5. T
6. T
7. F
8. T
9. F
10. T
11. F
12. T
13. F
14. T
15. T

OPERATING YOUR OWN BUSINESS

LESSON PLAN #14

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.09 Identify the financial requirements needed in the new business.

Resources:

1. Information Sheet 14.01 - Capital Resources
2. Information Sheet 14.02 - Identifying Financial Requirements
3. Assignment Sheet 14.01 - Capital Needs
4. Transparency Master 14.01 - Kinds and Types of Capital
5. Transparency Master 14.02 - Sources of Capital
6. Transparency Master 14.03 - Factors to Consider When Determining Capital Requirements

Teacher Activities:

1. Pass out and discuss Information Sheet 14.01 - Capital Resources
2. Pass out and discuss Information Sheet 14.02 - Identifying Financial Requirements
3. Show and discuss Transparency Master 14.01 - Kinds and Types of Capital
4. Show and discuss Transparency Master 14.02 - Sources of Capital
5. Show and discuss Transparency Master 14.03 - Factors to Consider When Determining Capital Requirements
6. Pass out and discuss with students Assignment Sheet 14.01 - Capital Needs

Student Activities:

1. Read and discuss with instructor Information Sheet 14.01 - Capital Requirements

2. Read and discuss with instructor Information Sheet 14.02 - Identifying Financial Requirements

3. Answer questions as asked by instructor while reviewing unit with Transparency Masters 14.01 - Kinds and Types of Capital, 14.02 - Sources of Capital, and 14.03 - Factors to Consider When Determining Capital Requirements

4. Complete Assignment Sheet 14.01 - Capital Needs as indicated and discussed by instructor

Assignment:

1. Complete Assignment Sheet 14.01 - Capital Needs; hand in during next class session.

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 14.01

Capital Resources

I. Terms and definitions

   A. Bonds: the long-term, written promises to pay definite sums of money at a specified time

   B. Capital: the funds used to start and run a business

   C. Equity: the ownership right in property

   D. Fixed capital: refers to things bought once and used a long time

   E. Long-term capital: the capital borrowed by a business to purchase assets expected to last a long time (more than a year)

   F. Proprietary capital: the funds one invests in the business

   G. Short-term capital: the capital borrowed that must be paid back in a short length of time (30, 60, or 90 days)

   H. Working capital: the funds used to keep the business operating

II. Kinds of capital

   A. Proprietary capital

      1. Own

      2. Partner

      3. Corporation

         a. common stock

         b. preferred stock

III. Types of capital
   A. Fixed
   B. Working
   C. Liquid
IV. Sources of capital
   A. Your own capital (savings)
   B. Commercial banks
   C. Trade credit
   D. Finance companies
   E. Insurance companies
   F. Equity capital
   G. Leasing
   H. Small Business Administration
   I. Community development
   J. Landlords
   K. Friends
   L. Relatives
V. Advantages and problems of securing an established business
   A. Advantages
      1. Successful business
      2. Immediate income
      3. Set amount of financing needed
      4. Less risk
   B. Problems
      1. Why owner wants to sell
      2. Cost more money

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        3. Old-fashioned
        4. Outdated equipment and stocks
        5. No room for expansion

VI. Advantages and problems of starting a new business

    A. Advantages
        1. Need less money
        2. Invest more carefully
        3. Can match money with business
        4. Grow as business grows
        5. Choice of locations

    B. Problems
        1. Select everything
        2. Meet legal requirements
        3. Attract customers
        4. Slow to show profit

VII. Factors to consider when deciding on sources of capital

    A. Original cost
    B. Interest rates
    C. Discount rates
    D. Authority exercised
    E. Availability of funds

VIII. Items to be included when figuring capital needed for a new business

    A. Inventory
    B. Fixtures
    C. Equipment

D. Pre-opening

E. Credit

F. Operation first three to six months

G. Operating cash

H. Contingencies

I. Rent or building payments

J. Insurance

K. Utilities

L. Advertising

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 14.02

Identifying Financial Requirements

I. Capital invested per production worker *

		Investment
A.	Petroleum (includes extraction and pipeline transportation)	$205,000
B.	Motor Vehicle and Equipment	52,000
C.	Tobacco Manufacturers	51,000
D.	Chemical and Allied Products	38,000
E.	Primary Metal Industry	35,000
F.	Food Products	27,000
G.	Paper and Allied Products	27,000
H.	Transportation Equipment	26,000
I.	Stone, Clay and Glass Products	23,000
J.	Rubber and Miscellaneous Plastics	19,000
K.	Printing and Publishing	19,000
L.	Lumber and Wood Products	14,000
M.	Textile Mill Products	14,000
N.	Furniture and Fixtures	8,000

II. Percent of fixed assets to net worth*

Type of Business	Percent of fixed assets to net worth
A. Wholesale trade	
1. Automotive	12.5%
2. Hardware	13.8
3. Furniture	10.5
B. Retail trade	
1. Department Stores	24.7%
2. Family Clothing	11.4
3. Gasoline Service	47.4
4. Jewelry	9.0

III. Merchandise stock turn rates for selected types of business*

Type of Business	National Average Turnover of Merchandise (Times per year)
A. Retail	
1. Grocery, Meat, etc.	16.8
2. Gasoline Service Stations	9.9
3. Motor Vehicles	7.6
4. Furniture and Furnishings	4.6
5. Jewelry	2.9

Type of Business	National Average Turnover (Times per year)
B. Manufacturing	
1. Household Appliance	4.6
2. Communication Equipment	4.7
C. Wholesale	
1. Groceries	12.6

*(Courtesy Shilt, Everard, Johns. *Business Principles and Management*, 6th Edition, 1973.)

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 14.01

Capital Needs

Establishing a new business requires analysis of immediate and long-range needs. Using the following as a guideline, investigate and calculate the needs for the type of business you plan to establish.

I. Fixed capital

   A. Land $____________________

   B. Buildings and improvements $____________________

   C. Equipment $____________________

II. Working capital

   A. Inventory $____________________

   B. Expenses $____________________

   C. Utilities $____________________

   D. Travel $____________________

   E. Salaries $____________________

   F. Cash reserve $____________________

   G. Licenses $____________________

III. Total capital needs

   A. Fixed capital $____________________

   B. Working capital $____________________

   C. Total $____________________

   D. Less your capital $____________________

   E. Total financing required $____________________

OPERATING YOUR OWN BUSINESS

Kinds and Types of Capital

I. KINDS OF CAPITAL

  A. Proprietary Capital

    1. Own

    2. Partner

    3. Corporation
      a. Common Stock
      b. Preferred Stock

  B. Borrowed Capital

    1. Short-Term

    2. Long-Term

    3. Bonds

II. TYPES OF CAPITAL

  A. Fixed

  B. Working

  C. Liquid

OPERATING YOUR OWN BUSINESS

Sources of Capital

A. Your own capital (savings)

B. Commercial banks

C. Trade credit

D. Finance companies

E. Insurance companies

F. Equity capital

G. Leasing

H. Small Business Administration

I. Community development

J. Landlords

K. Friends

L. Relatives

OPERATING YOUR OWN BUSINESS

Factors to Consider When Determining Capital Requirements

I. FACTORS TO CONSIDER WHEN DECIDING ON SOURCES OF CAPITAL
   A. Original cost
   B. Interest rates
   C. Discount rates
   D. Authority exercised
   E. Availability of funds

II. ITEMS TO BE INCLUDED WHEN FIGURING CAPITAL NEEDED FOR A NEW BUSINESS
   A. Inventory
   B. Fixtures
   C. Equipment
   D. Pre-opening
   E. Credit
   F. Operation first three to six months
   G. Operating cash
   H. Contingencies
   I. Rent or building payments
   J. Insurance
   K. Utilities
   L. Advertising

OPERATING YOUR OWN BUSINESS

LESSON PLAN #15

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.10 Decide how to organize the new business

Resources:

1. Information Sheet 15.01 - Business Organization and Functions
2. Assignment Sheet 15.01 - Internal Organization of a Business
3. Assignment Sheet 15.02 - Develop an Organizational Chart
4. Transparency Master 15.01 - Functional Organization
5. Transparency Master 15.02 - Line Organization
6. Transparency Master 15.03 - Line and Staff Organization
7. Transparency Master 15.04 - Division of Responsibility in Small Firm
8. Transparency Master 15.05 - Division of Responsibility in Partnership
9. Transparency Master 15.06 - Expanded Partnership
10. Transparency Master 15.07 - Organizational Chart for Large Store

Teacher Activities:

1. Pass out Information Sheet 15.01 - Business Organization and Function and discuss it.
2. Show and discuss Transparency Master 15.01 - Functional Organization

3. Show and discuss Transparency Master 15.02 - Line Organization

4. Show and discuss Transparency Master 15.03 - Line and Staff Organization

5. Show and discuss Transparency Master 15.04 - Division of Responsibility in Small Firm

6. Show and discuss Transparency Master 15.05 - Division of Responsibility in Partnership

7. Show and discuss Transparency Master 15.06 - Expanded Partnership

8. Show and discuss Transparency Master 15.07 - Organizational Chart for Large Store

9. Pass out and have students work Assignment Sheet 15.01 - Internal Organization of a Business

10. Pass out and have students work Assignment Sheet 15.02 - Develop an Organizational Chart

Student Activities:

1. Read Information Sheet 15.01 - Business Organization and Functions

2. Discuss Transparency Master 15.01 - Functional Organization

3. Discuss Transparency Master 15.02 - Line Organization

4. Discuss Transparency Master 15.03 - Line and Staff Organization

5. Discuss Transparency Master 15.04 - Division of Responsibility in Small Firm

6. Discuss Transparency Master 15.05 - Division of Responsibility in Partnership

7. Discuss Transparency Master 15.06 - Expanded Partnership

8. Discuss Transparency Master 15.07 - Organizational Chart for Large Store

9. Work in class Assignment Sheet 15.01 - Internal Organization of a Business

Assignments:

1. Complete Assignment Sheet 15.02 - Develop an Organizational Chart.

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 15.01

Business Organization and Functions

I. Terms and definitions

A. Formal organization: A planned pattern or system whereby the efforts of a group are coordinated to achieve a common goal

B. Functional (or staff) organization: A type of formal organization whereby the specialists from each area of operation supervise all work and all persons working in their area of specialty, i.e., purchasing manager, personnel manager, maintenance manager, customer service manager, etc. (TM 15.01)

C. Goals or objectives: The reasons for an organization's existence; why the company is in business, i.e., to make a reasonable profit.

D. Line organization: A type of formal organization whereby lines of communication are clearly defined, rigid, and direct (TM 15.02)

E. Line and staff organization: A type of formal organization whereby the staff specialists give advice and assistance to the line supervisors but have no authority over line personnel (TM 15.03)

F. Organizational chart: A graphic illustration of the division of work in a firm indicating lines of authority and internal communication

G. Policies: The rules established by management to guide employees in reaching company objectives

II. Why organization is necessary

A. Identifies types of work to be done

B. Indicates who is responsible for various tasks

C. Indicates how different types of work are coordinated

D. Indicates appropriate lines of internal communications

E. Helps eliminate duplication of work

F. Helps identify neglected functions

F. Makes it possible for people to work together more effectively

III. Characteristics of good formal organization

A. Goals or objectives

B. Rules or policies

C. Efficient leadership

D. Participation of members

E. Activities divided and arranged for efficiency and goodwill

IV. Management principles relating to business organization

A. Objectives of business control activities

B. Allowances must be provided for individual differences

C. Specialization is desirable

D. Lines of control must be definite

E. Flexibility must be provided

V. Basic retailing activities for which organization should be provided

A. Buying activities

B. Selling activities: Personal selling

C. Operating activities

D. Controlling activities: Keeping records to guide operations and profits

VI. Types of internal business organization and advantages of each

- A. Line: clearly defines lines of supervision, promotion, and communications (TM 15.05)
    - 1. Advantages
        - a. Easy to understand
        - b. Direct
        - c. Functions smoothly and quickly
    - 2. Disadvantages
        - a. Makes little use of specialized skills
        - b. Too simple for a complex organization
- B. Functional: each function of the business has a specialist who supervises all persons working in his/her area of specialty
    - 1. Advantage: uses firm's specialists to best advantage
    - 2. Disadvantage: too many bosses = confusion in responsibilities
- C. Line and staff organization: combines best features of both functional and line organizations (TM 15.03)
    - 1. Advantage: same advantages as both line and functional organizations
    - 2. Disadvantages
        - a. Requires many supervisors
        - b. Sometimes dual lines of authority
- D. Examples of internal organization for various size business operations (TM 15.07)

ASSIGNMENT SHEET 15.01

Internal Organization of a Business

Directions:

1. Describe the type business for which you are now employed. Includes the firm's main objective and the approximate number of persons employed by the firm.
2. Sketch below an organizational chart of the business for which you are employed. Be sure to show direct lines of authority and communications.
3. Report to class and put chart on board.

ASSIGNMENT SHEET 15.02

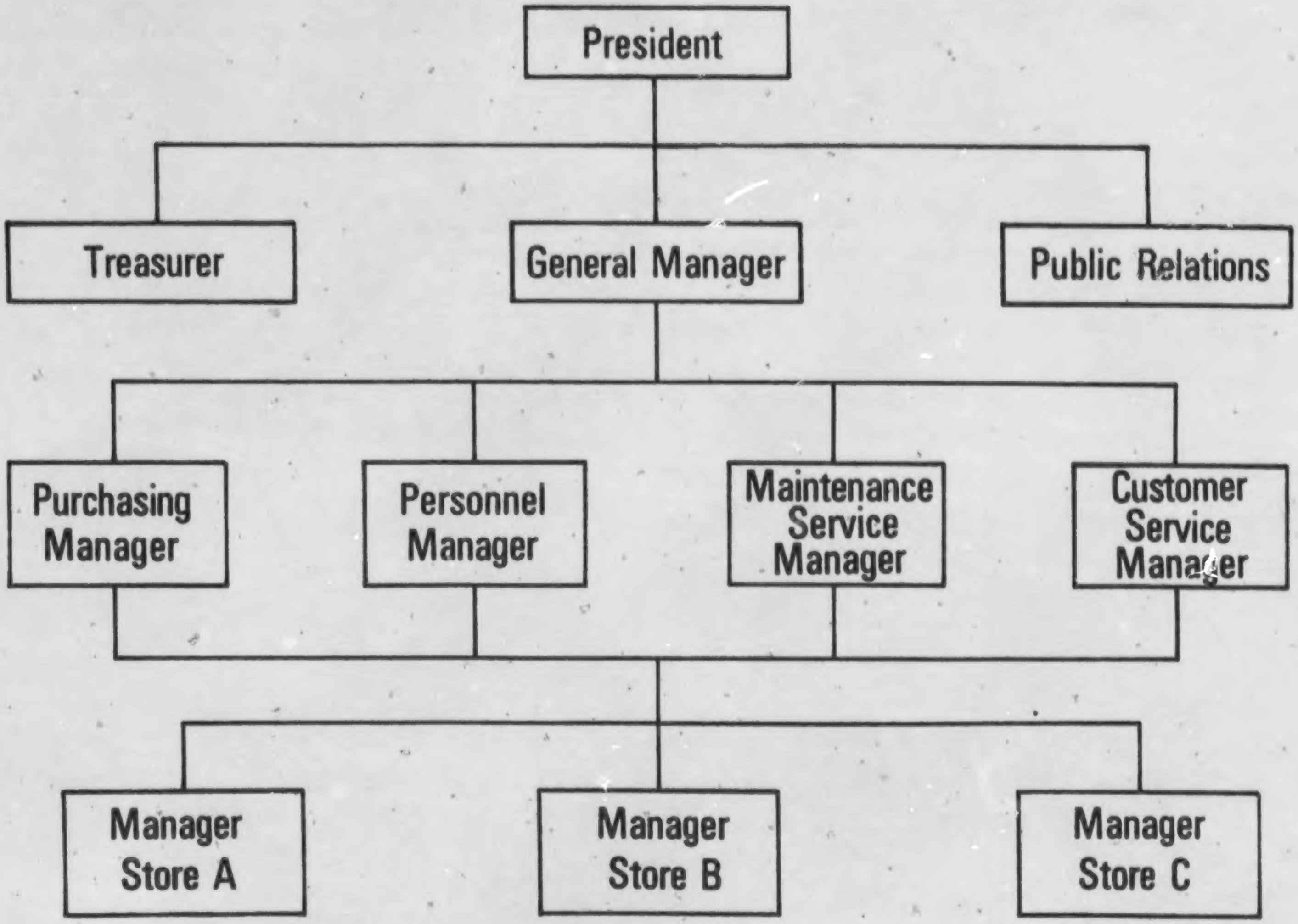
Develop an Organizational Chart

Directions:

1. Describe the type of business you hope to own or manage. Include the approximate number of persons to be employed by the firm.
2. Explain how the firm's internal office organization will be set up, how many persons will be employed in this area, and how responsibilities will be divided.
3. Review the types of internal organization suggested in this unit and determine which one would most nearly fit the needs of your business. (Or modify any of the forms of organization provided).

   Sketch a proposed organizational chart for your business, including lines of authority, advice, and internal communications.

Functional Organization



President

Treasurer

General Manager

Public Relations

Purchasing Manager

Personnel Manager

Maintenance Service Manager

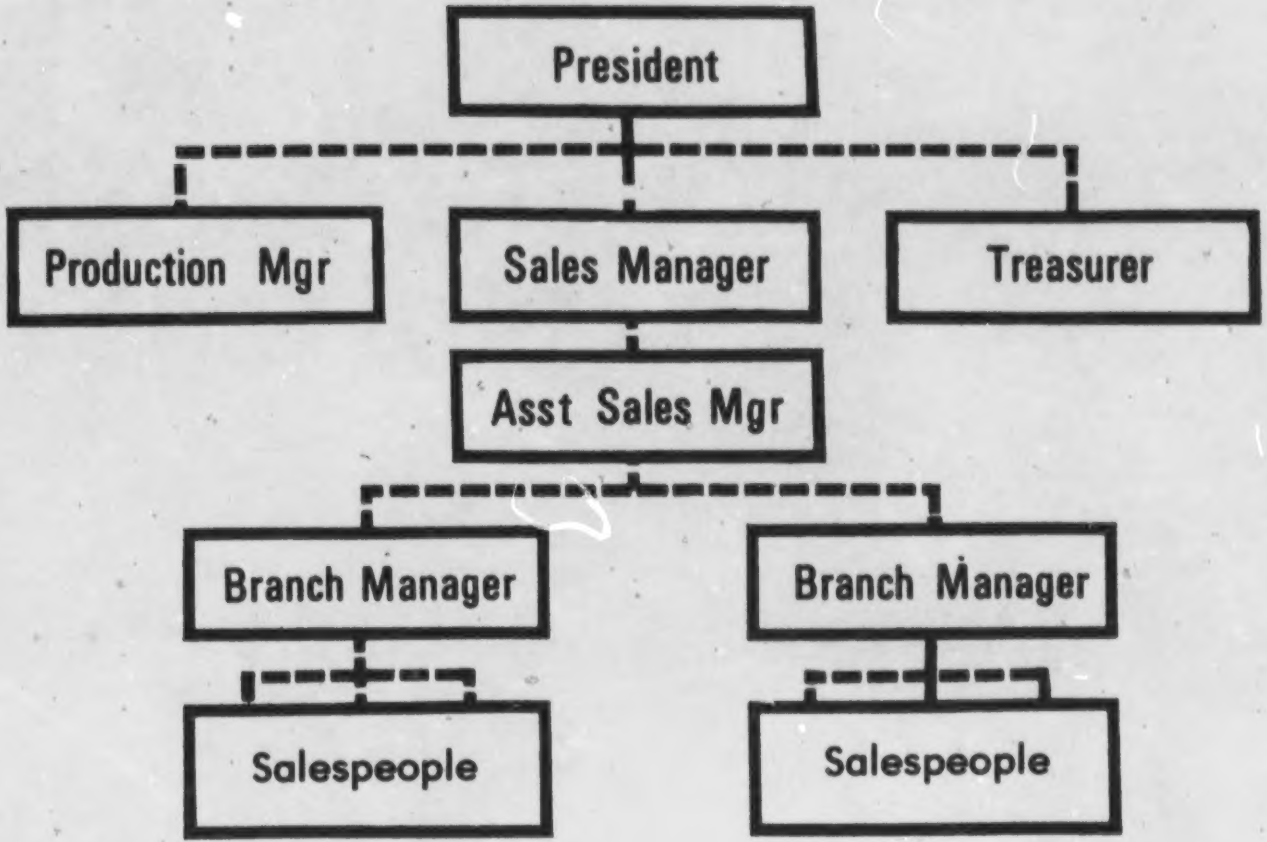
Customer Service Manager

Manager Store A

Manager Store B

Manager Store C

Line Organization



President

Production Mgr

Sales Manager

Treasurer

Asst Sales Mgr

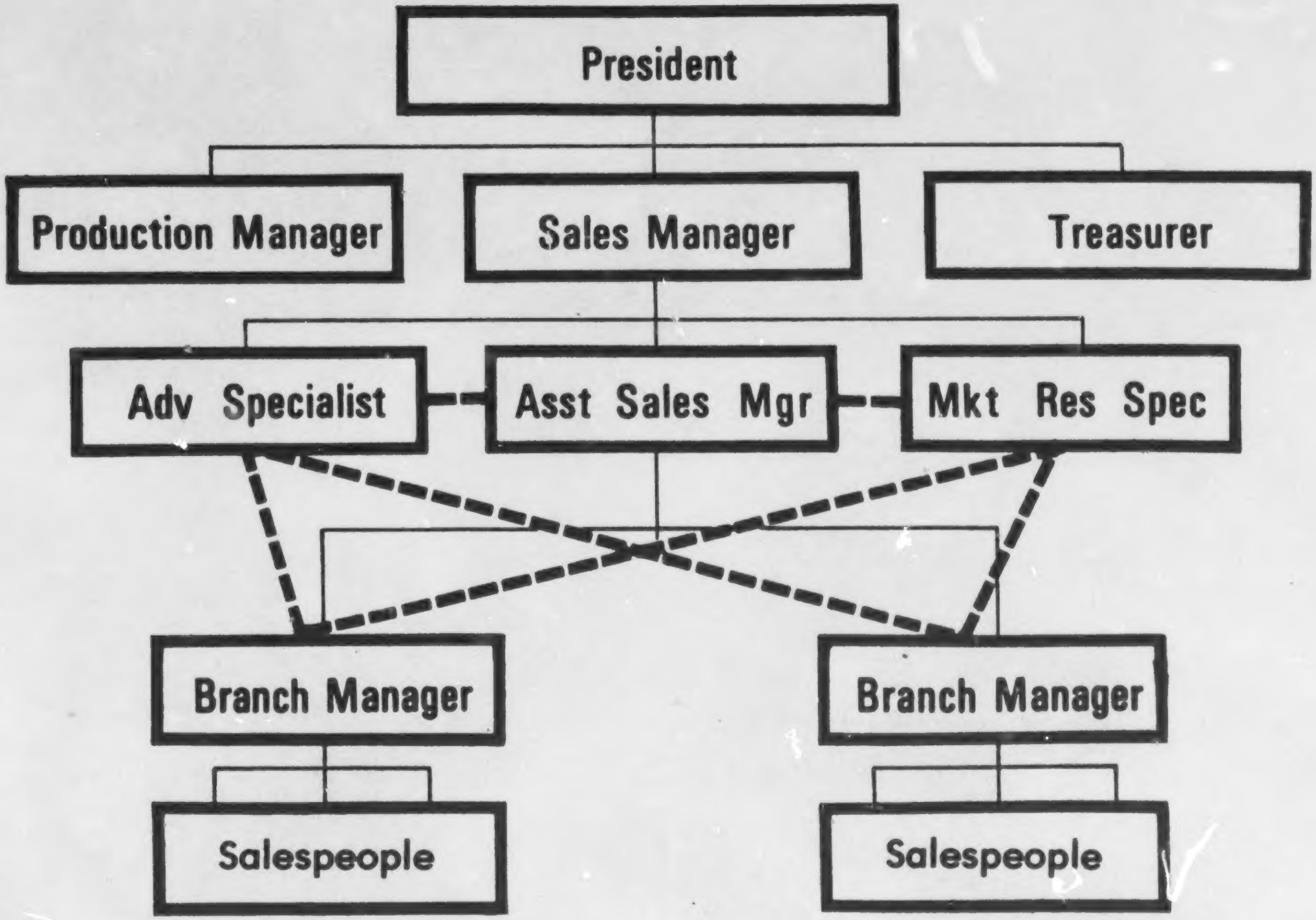
Branch Manager

Branch Manager

Salespeople

Salespeople

Line and Staff Organization



President

Production Manager

Sales Manager

Treasurer

Adv Specialist

Asst Sales Mgr

Mkt Res Spec

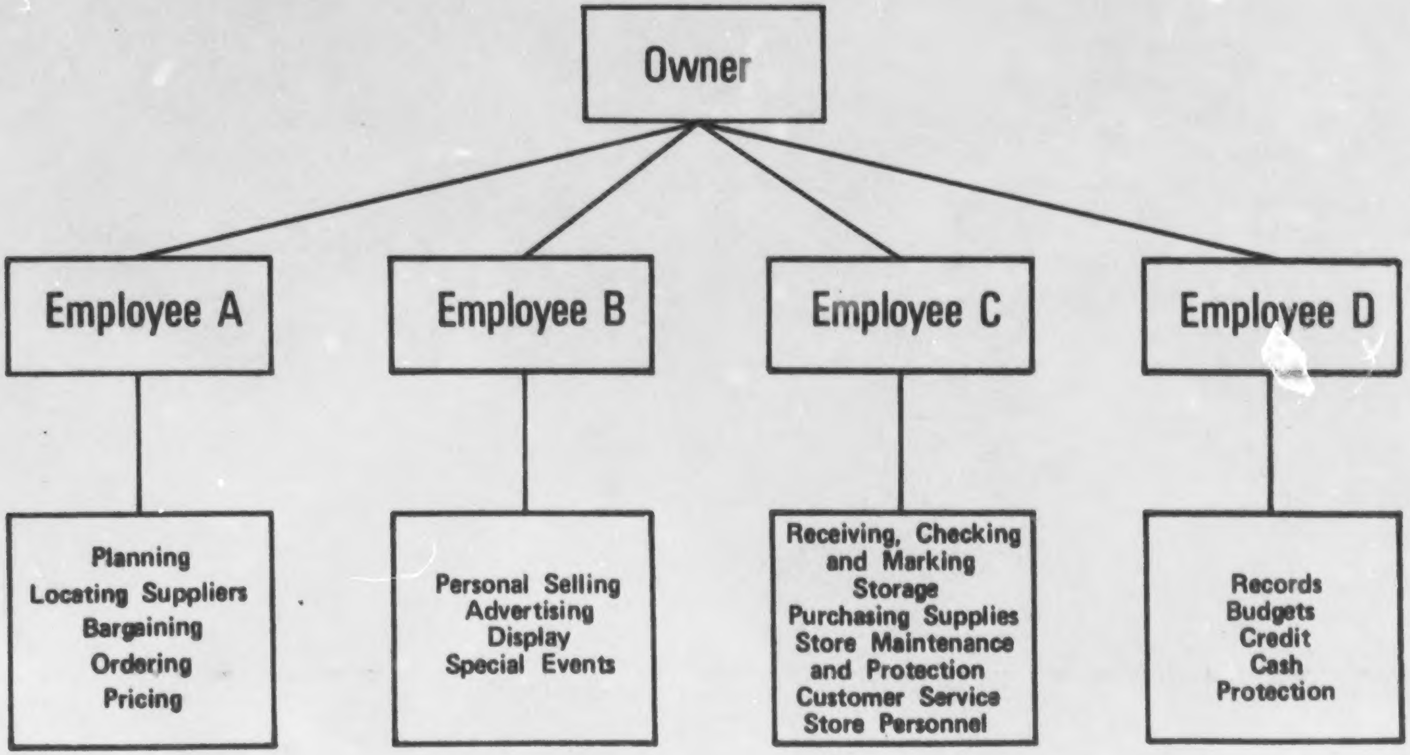
Branch Manager

Branch Manager

Salespeople

Salespeople

Division of Responsibility in Small Firm



Owner

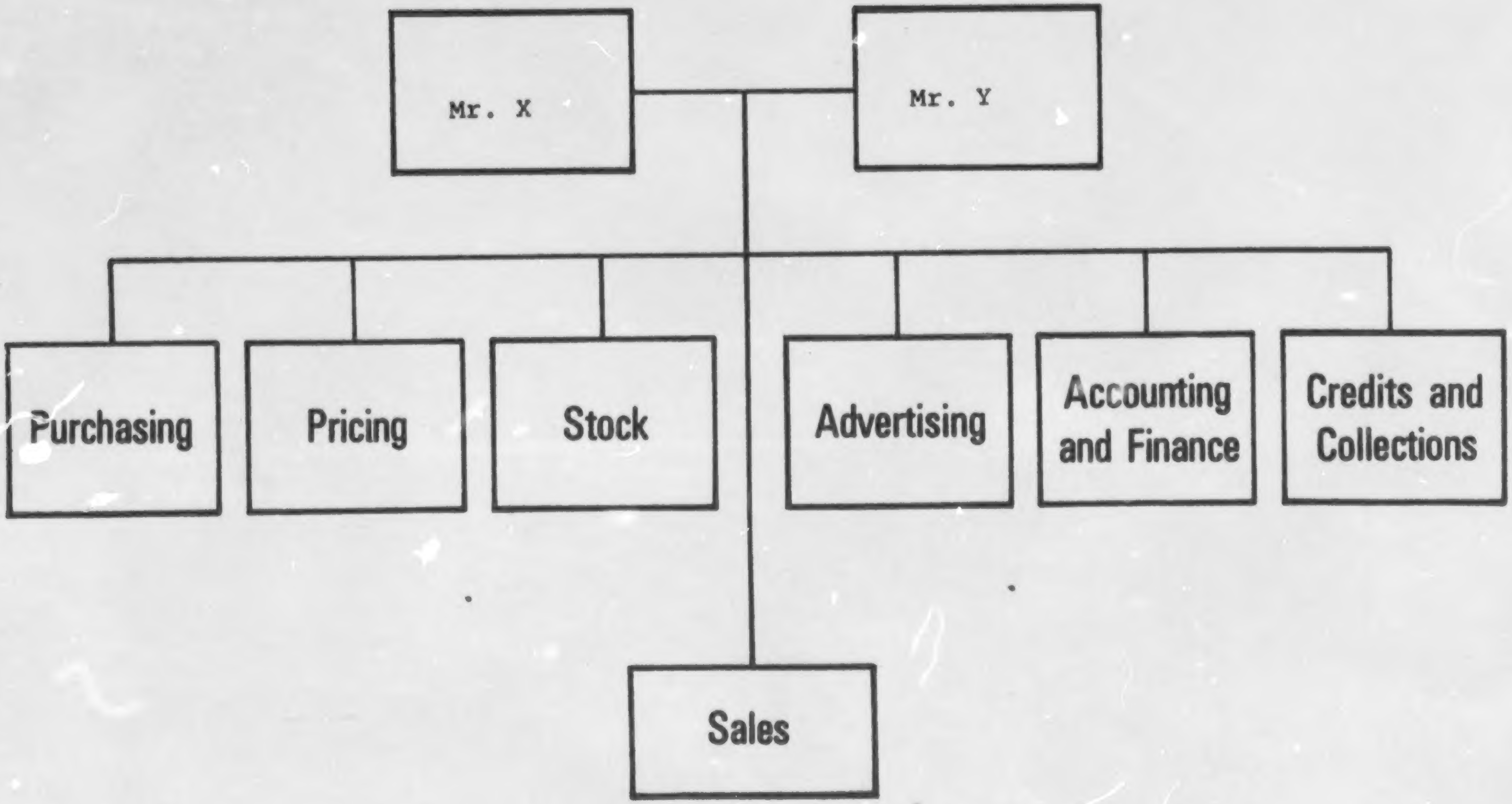
Employee A
- Planning
- Locating Suppliers
- Bargaining
- Ordering
- Pricing

Employee B
- Personal Selling
- Advertising
- Display
- Special Events

Employee C
- Receiving, Checking and Marking
- Storage
- Purchasing Supplies
- Store Maintenance and Protection
- Customer Service
- Store Personnel

Employee D
- Records
- Budgets
- Credit
- Cash
- Protection

Division of Responsibility in Partnership



Mr. X

Mr. Y

Purchasing

Pricing

Stock

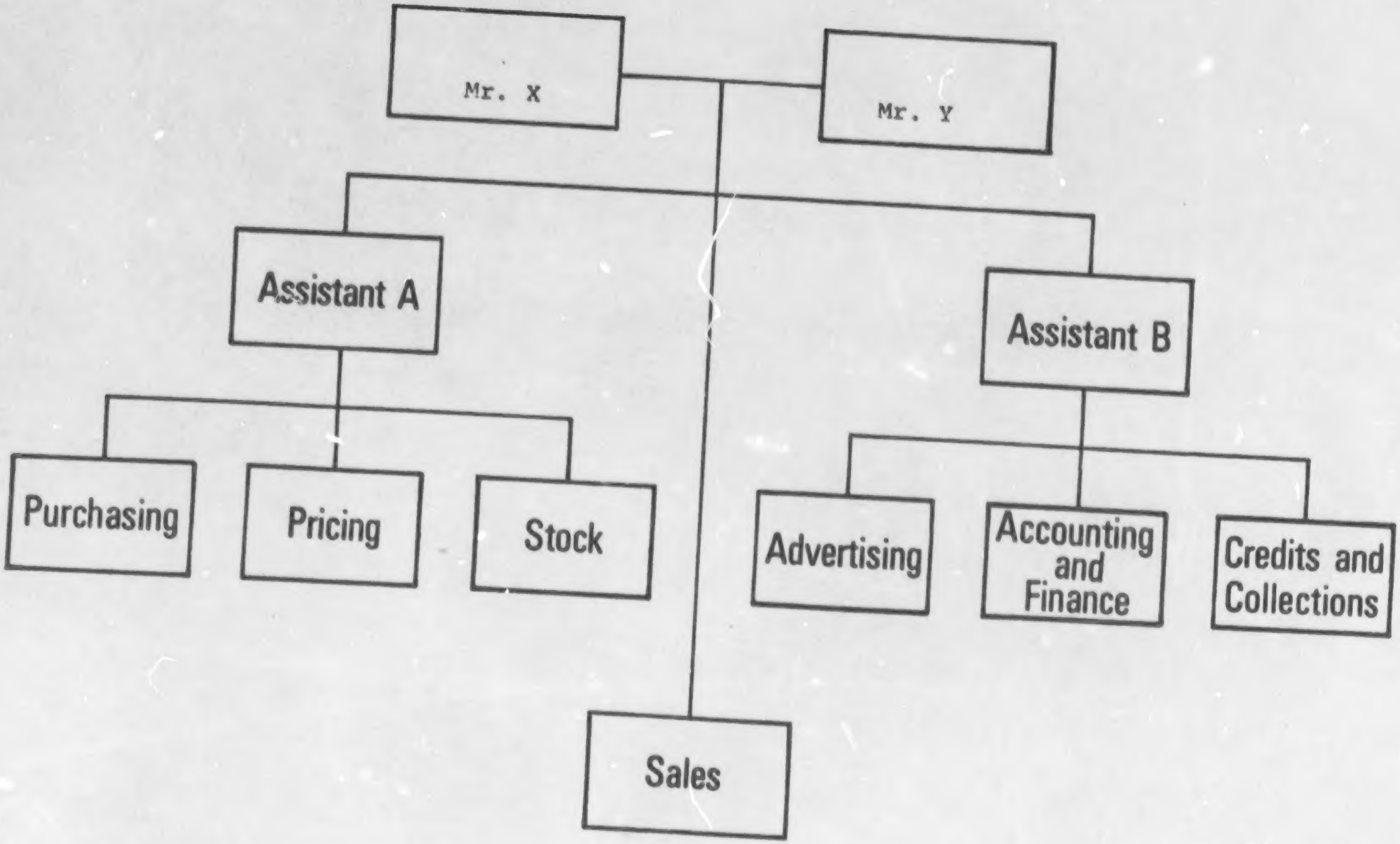
Advertising

Accounting and Finance

Credits and Collections

Sales

Expanded Partnership



Mr. X

Mr. Y

Assistant A

Assistant B

Purchasing

Pricing

Stock

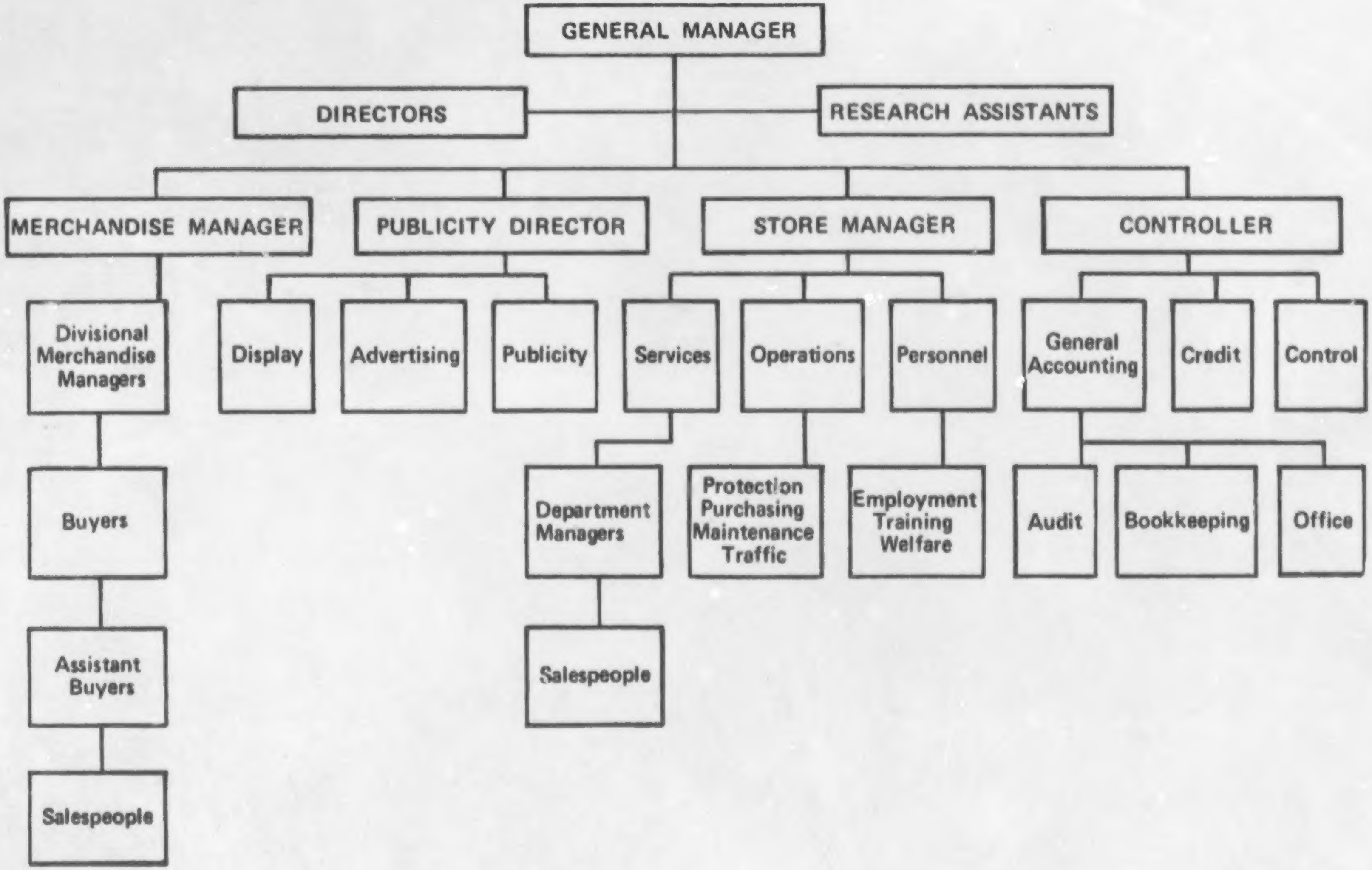
Advertising

Accounting and Finance

Credits and Collections

Sales

Organizational Chart for Large Store


GENERAL MANAGER
DIRECTORS
RESEARCH ASSISTANTS
MERCHANDISE MANAGER
PUBLICITY DIRECTOR
STORE MANAGER
CONTROLLER
Divisional Merchandise Managers
Display
Advertising
Publicity
Services
Operations
Personnel
General Accounting
Credit
Control
Buyers
Department Managers
Protection Purchasing Maintenance Traffic
Employment Training Welfare
Audit
Bookkeeping
Office
Assistant Buyers
Salespeople
Salespeople

OPERATING YOUR OWN BUSINESS

LESSON PLAN #16

Time for Lesson: (2) 55 minute sessions

Objective: Upon completion of this unit the student should be able to:

19.11 Discuss the reasons for government regulations in retailing.

Resources:

1. Information Sheet 16.01 - Government and Business
2. Assignment Sheet 16.01 - Government and Business
3. Transparency Master 16.01 - Fair Trade Items
4. Transparency Master 16.02 - Unfair Trade Practices
5. Transparency Master 16.03 - Kinds of Taxes
6. Transparency Master 16.04 - Formal Contract
7. Transparency Master 16.05 - Simple Contract

Teacher Activities:

1. Pass out and have students work Assignment Sheet 16.01 - Government and Business
2. Pass out and discuss with students Information Sheet 16.01 - Government and Business
3. Show and discuss Transparency Master 16.01 - Fair Trade Items
4. Show and discuss Transparency Master 16.02 - Unfair Trade Practices
5. Show and discuss Transparency Master 16.03 - Kinds of Taxes
6. Show and discuss Transparency Master 16.04 - Formal Contract
7. Show and discuss Transparency Master 16.05 - Simple Contract

Student Activities:

1. Read and discuss with instructor Information Sheet 16.01 - Government and Business
2. Work Assignment Sheet 16.01 - Government Business; then discuss
3. Discuss Transparency Master 16.01 - Fair Trade Items
4. Discuss Transparency Master 16.02- Unfair Trade
5. Discuss Transparency Master 16.03 - Kinds of Taxes
6. Discuss Transparency Master 16.04 - Formal Contract
7. Discuss Transparency Master 16.05 - Simple Contract

Assignments:

1. None

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 16.01

Government and Business

I. Terms and definitions

   A. Blue-sky laws--Statutes designed to protect public from sale of worthless stock

   B. Fair trade items--Those items on which the prices are set by the manufacturer or distributor

   C. Hedging--Simultaneous contracts to purchase and sell something at a future date with the intention that the loss on one transaction will be offset by the gain on the other.

   D. Interstate commerce--The transactions that take place between two or more states or between places or persons in different states

   E. Intrastate commerce--The transactions that take place wholly within a state

   F. Misbranded--The items not marked properly as to label or description

   G. Progressive taxation--A person's ability to pay; taxes increase as a person's income increases

   H. Proportional taxation--The tax rate (or percentage) that is the same regardless of income

   I. Truth-In-Lending--The requirement that the cost of credit in terms of an annual interest rate in transactions must be revealed before purchase

II. Reasons for government regulating business

   A. To protect citizens against hazards of equipment and buildings

   B. To protect employees

   C. To protect competition

D. To protect consumers against conspiracies

III. Types of laws protecting consumers

A. Licenses

B. Sanitation

C. Adulteration

D. Bedding

E. Truth-In-Lending

F. Blue-sky

IV. Effects of government standards

A. Uniformity

B. Minimum standards

C. Quality control

V. Laws that deal with pricing

A. Clayton Act--difference in prices must be justified

B. Robinson-Patman Act--outlaws discriminatory prices (more specific than Clayton Act)

VI. Areas of distribution in which unfair pricing hurts competition

A. When the seller charges prices that lose money

B. When the buyer receives unfair purchasing concessions from supplier

C. When a supplier's low prices are made available to certain favored customers only

VII. Fair trade items (TM 16.01)

A. Auto parts

B. Alcoholic beverages

C. Books and music

- D. Clothing and wearing apparel
- E. Cosmetics and drugs
- F. Electrical appliances
- G. Home furnishings and housewares
- H. Hardware paint
- I. Jewelry, watches, and silverware
- J. Photographic supplies and equipment
- K. Stationery and office supplies
- L. Textiles
- M. Toys and sporting goods

VIII. Unfair trade practices (TM 16.02)

- A. False and misleading advertising
- B. Conducting lotteries
- C. Price cutting and unfair pricing methods
- D. Misbranding and mislabeling goods
- E. Selling used goods for new
- F. Commercial bribery

IX. Rights of the buyer

- A. Examination of goods
- B. Delivery of goods
  - 1. Determine place of delivery
  - 2. Determine quantity of delivery

X. Rights of the seller

- A. Identify conforming goods
- B. Acceptance of the goods by buyer
- C. Payment for the goods
- D. Retention of goods for which no money has been paid

E. Stopping delivery

XI. Principal functions of the Federal Trade Commission

A. To promote free and fair competition

B. To prevent price fixing and unfair methods of competition

C. To prevent deceptive trade practices

D. To prevent seller from discriminating in price arrangements among buyers

E. To protect public and other businesses by preventing false and deceptive advertising

F. To enforce truthful labeling of wool and fur products

G. To protect public from wearing apparel or fabrics that are dangerously flammable

H. To protect buyers from misrepresentation of the real value of automobiles

XII. Some businesses that are required to have a license

A. Food service

B. Barber

C. Beauty

D. Cleaners

E. Liquor

F. Finance lending

G. Transportation

H. Insurance

I. Real estate

XIII. Forms of laws to check before starting a business

A. Ordinances--city or county laws

1. Zoning

2. Building codes

3. License restrictions

B. Constitutional--laws established by federal or state constitutions

C. Statutes--laws enacted by the legislature

D. Common--laws enacted by virtue of use

E. Administrative--laws by executive order

XIV. Examples of monopolies (allowed)

A. Railroads

B. Electric companies

C. Telephone companies

D. U. S. Post Office

E. Atomic Energy Commission

F. Natural gas companies

G. Telegraph companies

XV. Reasons for taxation

A. Regulate business

1. Tobacco

2. Liquor

B. Provide revenue

XVI. Kinds of taxes (TM 16.03)

A. Federal income taxes

B. State income taxes

C. Social Security

D. Unemployment insurance

- E. Property tax
- D. Sales tax
- G. Excise tax
- H. Business or service
    - 1. Franchise
    - 2. Occupational
    - 3. Gasoline
- I. Corporation
- J. Severance
- K. License
- L. Motor vehicle licenses and taxes
- M. Tariffs

XVII. Taxing policies in U. S.
- A. Progressive
- B. Proportional

XVIII. Government services, protection, and enforcement
- A. Services provided
    - 1. Police
    - 2. Fire
    - 3. Currency
    - 4. Welfare
- B. Protection from unfair competition
    - 1. Adulteration
    - 2. Tariffs
- C. Enforcement of laws
    - 1. Contracts

        2. Patents
        3. Copyrights
        4. Trademarks

XIX. Reasons for examining contracts
    A. Understand rights and obligations
    B. Avoid trouble

    (NOTE: Most business is done by contract.)

XX. Elements of a contract (TM 16.04 and 16.05)
    A. Competent parties
    B. Mutual assent
    C. Legal agreement
    D. Consideration
    E. Required forms

XXI. Examples of contracts that occur frequently
    A. Order a milk shake - implied
    B. Buy insurance on automobile
    C. Rent house or apartment
    D. Borrow money

XXII. Parties who cannot enter into contracts
    A. Minors
    B. Mentally ill
    C. Insane
    D. Intoxicated
    E. Convicts or those previously convicted

XXIII. Mistakes that make contracts void

A. Subject matter not in existence

B. Subject matter not identified

C. Mistake as to nature of agreements

D. Mistake as to identity of the parties

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OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 16.01

Government and Business

Student name______________________

Date ______________________

Merchant Interviewed_____________

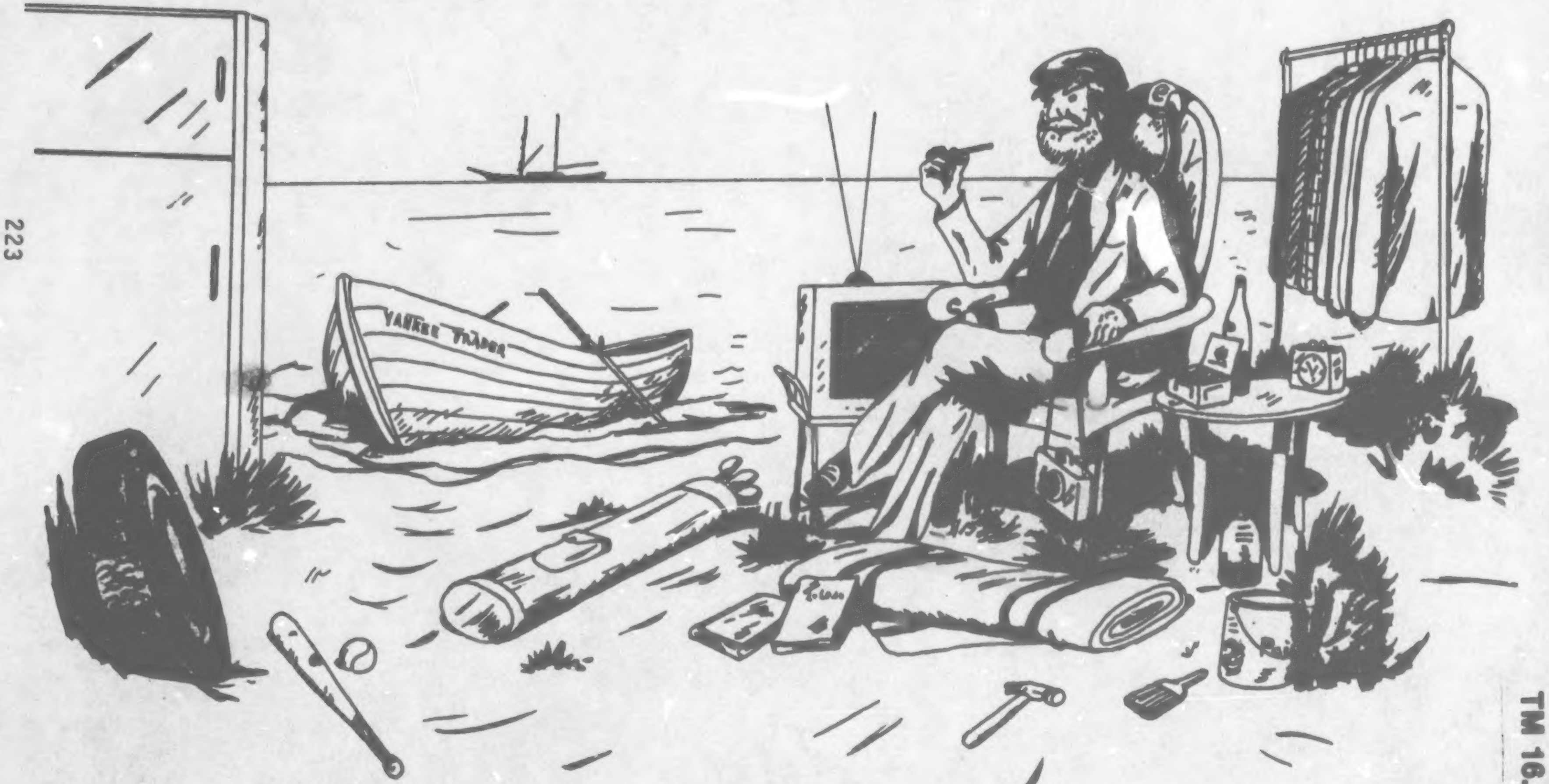
____

I. Interview a merchant in your area and ask 1) what laws (federal or state) affect her/his business and 2) how do these laws affect the merchant (i.e., additional cost of dollars in operation, types of merchandise handled, labeling and pricing of merchandise).

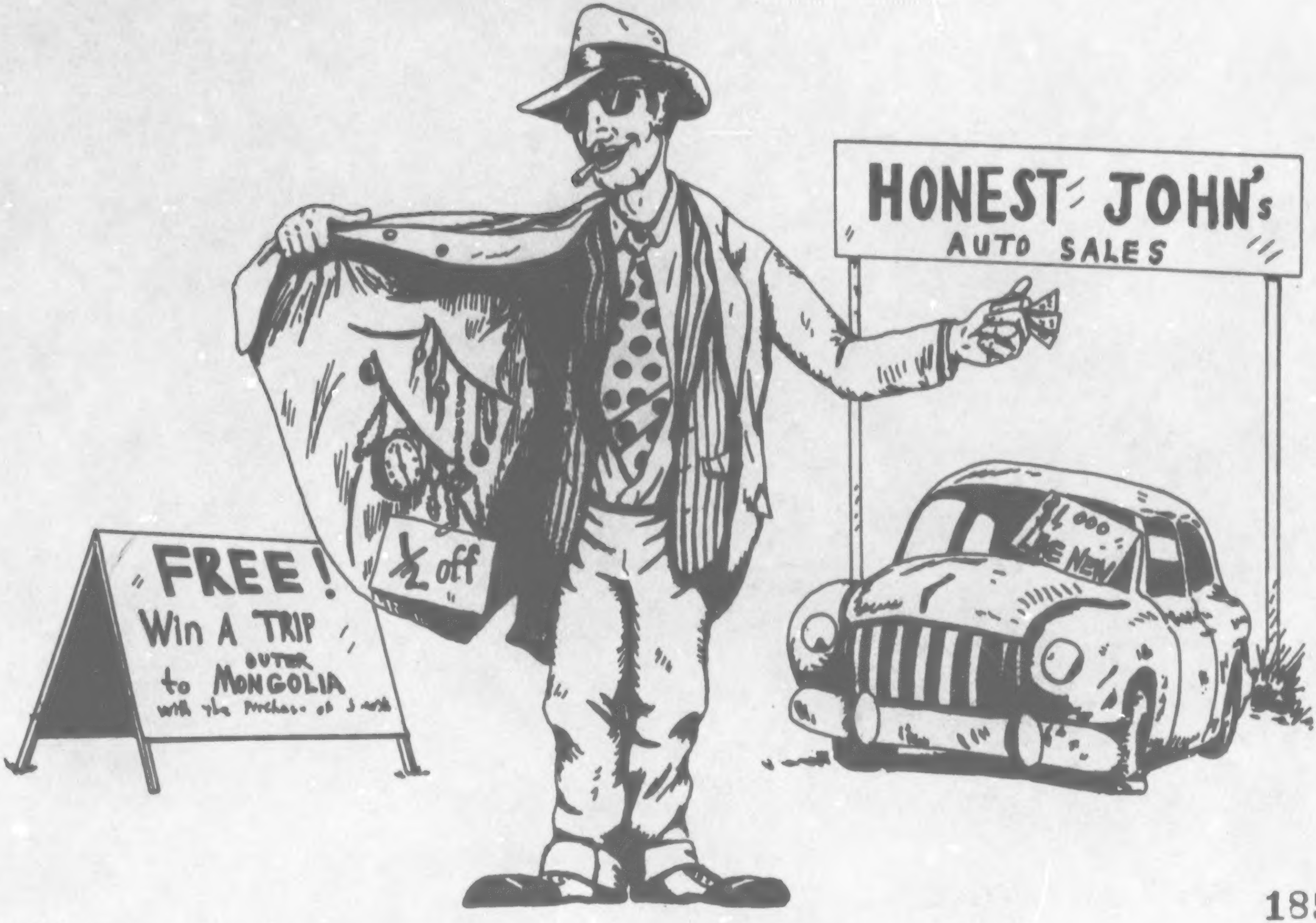
II. Complete and be prepared to discuss in class at a later date the information you obtained from your interview without using the merchant's name.

Fair Trade Items

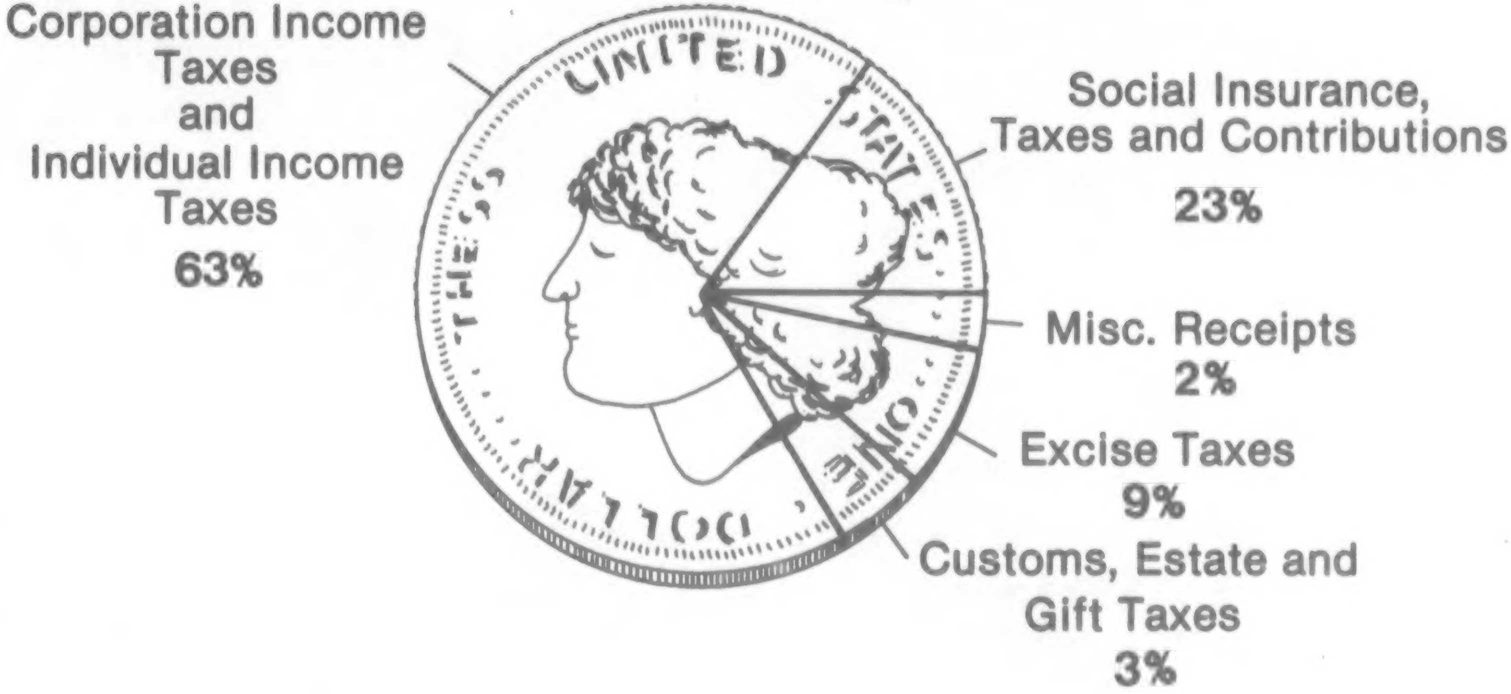
ITEMS COMMONLY FAIR TRADED


YANKEE TRADER

Unfair Trade Practices


FREE!
Win A TRIP
to OUTER MONGOLIA
with the Purchase of 3 cars
½ off
HONEST JOHN's
AUTO SALES
1,000
KE NEW

Sources of Taxes by the Federal Government



Source:
U.S. Bureau of the Census Statistical Abstract of the United States.

TM 16.03

FORMAL CONTRACT

AGREEMENT made this day of 19__, between hereinafter called "the employee," and hereinafter called "the employer":

WITNESSETH:

In consideration of their mutual promises contained herein, the parties hereto agree as follows:

The employee agrees to work for the period of years from the date hereon as of the employer and agrees faithfully to serve the employer and to devote all his /her time and attention to the interest of his /her employer's business.

The employer agrees to pay the employee the sum of payable weekly on the last working day of each week during the term of agreement.

IN WITNESS WHEREOF, the said parties have hereunto set their hand on this, the date first above written.

Signed, Sealed, and Delivered in
Presence of

________________________ ________________________(L.S.)

________________________ ________________________(L.S.)

Simple Contract

Company Address

Date ____________________

Please deliver and install the following instrument as specified herein, and in accordance with prices, terms, and conditions made in this order, at

Name of Customer ____ Phone ______________

Address ____
(No.) (Street)

____
(City) (State) (Zip)

Installation Address ____

Model Price Description of Instrument

____

____

Terms: -

It is expressly understood that there is no verbal understanding or additional written agreement existing that can change or modify the prices, conditions of sale, or terms of payment as specified herein, and acceptance of this order becomes a binding contract subject to the terms and conditions set forth herein.

Salesperson __________________________ Accepted by __________________________
(Your Name) (Customer)

LESSON PLAN #17

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the student should be able to:

19.12 Discuss how government laws are designed to protect public health and safety

Resources:

1. Information Sheet 17.01 - Government Services, Protection and Enforcement
2. Assignment Sheet 17.01 - Problems in Government and Business

Teacher Activities:

1. Pass out Information Sheet 17.01 - Government Services, Protection and Enforcement and discuss
2. Pass out Assignment Sheet 17.01 - Problems in Government and Business and discuss

Student Activities:

1. Read Information Sheet 17.01 - Government Services, Protection and Enforcement and discuss
2. Complete Assignment Sheet 17.01 - Problems in Government and Business in class

Assignment:

1. None

OPERATING YOUR OWN BUSINESS

INFORMATION SHEET 17.01

Government Services, Protection, and Enforcement

A. Services provided

   1. Police

   2. Fire

   3. Currency

   4. Welfare

B. Protection from unfair competition

   1. Adulteration

   2. Misbranding

   3. Tariffs

C. Enforcement of laws

   1. Contracts

   2. Patents

   3. Copyrights

   4. Trademarks

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 17.01

Problems in Government and Business

Answer the following problems and defend your answers.

1. Penney's Department store advertised a color TV set for sale and included the following statements in its advertisement; $25.00 down, $5.00 per week with no indication of how many dollars are required to pay for the set. Does this advertisement constitute a violation of the Truth-In-Lending Act? Why?

2. Mr. Coulson ran a bakery in Cleo Springs. His business was wholly intrastate. His competitor Don Bread, which was one of several corporations under interlocking ownership and management, engaged in an interstate business. Don cut the price of bread in half in Cleo Springs and surrounding areas but in no other locations. As the result of this price cutting Coulson was driven out of business. Coulson then sued Don for damages for violation of the Robinson-Patman Act. Don claimed that the price cutting was purely intrastate and therefore did not constitute a violation of the federal statutes. Was he correct? Why?

3. Mrs. Hoe, a woman who was known to be mentally ill, contracte to sell her home at a small fraction of its value. When her daughter objected, Mrs. Hoe tried to cancel the deal. Could she legally so so? Why?

4. Johnny applied for a position as a cashier at a local department store. In his application he stated that he had never been discharged by an employer. As a matter of fact he had been fired because of a shortage of funds. Relying upon his statement, the department store agreed to employ him for one year. Upon discovering that it had been deceived, the department store refused to allow Johnny to start to work. Was the company within its rights? Why?

5. Don telephoned Warren's Flowers and after some inquiries, ordered a dozen roses delivered to his home the next day. The cost of the flowers ($15.00) was to be charged to his account. The bouquet was assembled and placed in the cooler to await delivery. Was a contract made? Why?

6. Roger agreed to buy a specific pair of racing pigeons from Doug. Unknown to either party, the pigeons had been killed by poison the day before the agreement was made. Was the agreement to buy the pigeons valid and could it be enforced? Why?

OPERATING YOUR OWN BUSINESS

ASSIGNMENT SHEET 17.01 - KEY

Problems in Government and Business

1. For the first time on a nationwide basis lenders of cash and sellers of goods and services "on time" are required by law to give each borrower or buyer a detailed statement of the cost of credit. That is the main purpose of the Federal Consumer Credit Protection Act, a portion of which is officially named the Truth-In-Lending Act. This law enables borrowers and buyers on credit to learn the actual cost to them of credit in both dollars and on annual percentage rate. This information must be clearly printed on the credit agreement. A willful violation can bring a maximum criminal penalty of $5,000, a year in jail, or both.

2. A law called the Robinson-Patman Act prohibits price discrimination on the part of the sellers of goods by preventing a firm or seller from granting discounts to buyers and furnishing other services connected with the sale of the goods unless the same discounts and services are offered to all customers. Thus no one customer has an advantage over the others. A seller of goods can legally charge a certain customer a lower price only if the seller can prove that the lower price is a result of savings because of large quantity sales to the customer.

3. Contracts are based on agreements but not all agreements are contracts. For an agreement to be enforceable there must be an intention to make a contract. The intention may be actual or apparent. No contracts are made unless requirements are met, one of which is competent parties. The law limits the power of some persons under certain conditions to make enforceable contracts. Thus, as had been established earlier, Mrs. Hoe was mentally ill and could not be required to carry out her agreements to sell her home.

4. We have seen that every contract is based on an offer and on an acceptance. But not every apparent offer and apparent acceptance results in an enforceable agreement, because there may be some defect in the offer or acceptance. Contractual agreements must be entered into voluntarily, willingly, and freely.

In the problem Johnny took unfair advantage of the company. If he had stated the facts truthfully he would not have been employed. The company entered into the agreement because of a wrong impression; therefore, the agreement was defective. Unfair advantage may be the result of fraud, duress, or undue influence.

5. A contract is an agreement that can be enforced by law. It creates rights and obligations. If the obligations are not performed or satisfied, they may be enforced in a court.

   The agreement that was reached by Don and Warren in a telephone call was binding on both parties. It resulted in a contract if either party refused or failed to carry out his part of the agreement, the other party would be able to enforce the rights in court.

   Some contracts are oral and some are written. In Don and Warren's case it was an oral agreement.

6. If the agreement had been for any pair of pigeons the death of a pair or all of Doug's pigeons would not have made the agreement defective. Doug could then have obtained others from a different source to fulfill his contract.

LESSON PLAN #18

Time for Lesson: 55 minutes

Objective: Test

Resources:

Assessment for Objectives 19.09 to 19.12

Teacher Activities:

1. Pass out test and give necessary instructions.

Student Activities:

1. Take test and turn it in.

Assignments:

None

OPERATING YOUR OWN BUSINESS

ASSESSMENT 18.01

True-False: The following statements are either true or false. If the statements are true, draw a circle around the letter "T." If it is false, draw a circle around the letter "F."

T F 1. Capital is a long-term written promise to pay definite sums of money at a specified time.

T F 2. The Small Business Administration, friends, and insurance companies may all be possible sources of capital.

T F 3. A hardware store will more likely have a higher rate of turnover than a grocery store.

T F 4. In a line organization the lines of communication are clearly defined, rigid, and direct.

T F 5. In a functional organization each function of the business has a specialist who supervises all persons working in his/her area of specialty.

T F 6. Blue-sky laws are statutes designed to protect the public from the sale of worthless stock.

T F 7. Truth-In-Lending is a common practice used in rental stores whereby the store is required to quote the fair rental price of the item.

T F 8. Food service establishments, cleaners, and real estate agencies are all required to have a license.

T F 9. Progressive taxation is where taxes increase as a person's income increases.

T F 10. Typical services provided by the government to protect the public are welfare, fire, and police.

OPERATING YOUR OWN BUSINESS

ASSESSMENT 18.01 - KEY

1. F
2. T
3. F
4. T
5. T
6. T
7. F
8. T
9. T
10. T

OPERATING YOUR OWN BUSINESS

LESSON PLAN #19

Time for Lesson: 6 class periods

Objective: Complete the Unit Evaluation

Resources:

1. Information Sheets 1.01 - 17.01
2. Unit Evaluation

Teacher Activities:

1. Pass out Unit Evaluation and Information Sheets.
2. Discuss and Assign Unit Evaluation to be done in next 5 class periods.
3. Discuss the Unit Evaluation during the 6th class period.

Student Activities:

1. Read and complete Unit Evaluation.
2. Ask questions over Unit Evaluation.
3. At end of fifth class period, hand in Unit Evaluation.
4. During the sixth class period discuss Unit Evaluation.

Assignment:

1. Over the next six class periods, finish and discuss the Unit Evaluation.

OPERATING YOUR OWN BUSINESS

Unit Evaluation

You will be given class time for the next week to complete your unit evaluation. You will also need outside time to make a thorough report.

PROBLEM: Choose any type of retail establishment you would like to own and develop a plan for its operation including the following activities:

1. Select an appropriate location within the immediate community for your type of business.
2. Conduct traffic and pedestrian count of two different sites you are considering.
3. Determine the abilities, requirements, restrictions, and legal form of organization needed for your type of business.
4. Draw to scale your store layout using your floor space effectively.
5. Calculate the space required for a given department.
6. Draw to scale a layout of one department showing placement of specific items that might be stocked.
7. Determine the types and amount of fixtures you need.
8. Determine basic merchandising policies for your type of business.
9. Develop a model stock plan for one department with a business.
10. Develop a merchandising budget for one department.
11. List the average fixed capital investment for the business.
12. List the percentage of assets to total assets for your firm.
13. List the average stock turn rate.

14. Describe the type of internal organization you want to use.

15. Develop an organizational chart for your company.

16. List store policies.

17. Describe any government regulations and/or laws that affect your company.

18. Identify your potential customers, their buying motives and how you would sell your service or merchandise to meet their needs.

19. Develop a bibliography.

OPERATING YOUR OWN BUSINESS

UNIT EVALUATION RATING SHEET 19.01

You will be evaluated on your neatness, ability to thoroughly cover the subject area, clearness in wording and presentation, and the unity of the entire project.

I.	Store Location (1-2 & 3)	(10)	2	4	6	8	10
II.	Store Layout (4,5 & 6)	(10)	2	4	6	8	10
III.	Equipment Selection (7)	(10)	2	4	6	8	10
IV.	Merchandise Plan (8-9)	(10)	2	4	6	8	10
V.	Financial Requirements (10-13)	(10)	2	4	6	8	10
VI.	Store Organization (14 & 15)	(10)	2	4	6	8	10
VII.	Store Policies (16)	(10)	2	4	6	8	10
VIII.	Gov't. Laws and Regulations (17)	(10)	2	4	6	8	10
IX.	Defining Customer and Motives (18)	(10)	2	4	6	8	10
X.	Congruency of Project	(5)	1	2	3	4	5
XI.	Neatness and Organization	(5)	1	2	3	4	5
	Total points	(100)					